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SOCIAL RATES IN ELECTRICITY

BY HANS STAUDINGER

I

Cost Reduction

TECHNOLOGICAL progress in the field of electricity, as I have shown in a previous article,¹ requires the creation of larger productive units and simultaneously an almost complete integration of greater distributing units if the highest efficiency, from the standpoint of the general economy, is to be attained. In that article I suggested that because of their conflicting interests individual electric concerns, whether private or public, were not in a position to put into effect this economically necessary reorganization.

In nearly all countries the pressure of public opinion, as expressed by consumers, from industrialists to householders, as well as the laws and regulations of governments, have been called into play to give stimulus and direction to the new large scale orientation in electricity. Although difficulties created by questions of constitutionality and by court decisions compel governments to resort to devious legal means in order to achieve their ends, they reach the goal nonetheless.

I cited some examples of this persistent trend toward reorganization of electricity through government interference in Germany, England and the United States. Since that time, in Germany, a new law regulating the gas and electric industries² has been put into effect. This legislation has operated to accelerate the former development in the direction of establishing large de-

¹ "Modern Tendencies in Public Utilities" in *Social Research*, vol. 2, no. 3 (August 1935).

² "Gesetz zur Foerderung der Energiewirtschaft" (*Reichsgesetzblatt* I, 1451).

marcated districts for the distribution of electricity.¹ In the United States, even though some of the large holding companies resisted the recently enacted public utility law and refused to register, they were on the whole induced, nevertheless, to simplify their holding structures and to arrange for the sale or exchange of operating units among themselves in order to consolidate and integrate the electric industry in certain regions. The trend toward unification and coordination in the electric field persists and has its bearing on production cost.

Another influence in this direction is exercised by the new water power development connected with the recent construction of huge dams. We know that such dams, once amortized, will produce power at cheap rates. (This explains the favorable rates of the long established Swedish and Swiss power plants.) Since it is possible—especially under a policy of financing by the state—to obtain loans at very low interest rates and eventually to prolong or postpone amortization over a longer period than usual, the advantage of relative low rates can be had even in the present.²

Thus by integrating operating units into technico-economic unified systems, as well as by establishing new water power plants through the use of additional public funds, there is initiated a

¹ Through the government's prohibiting the construction of new electric plants or the extension of old ones the integration of the whole system can be brought to its rapid conclusion. The government can also bring pressure to bear upon the electric companies to adopt simplified rate structures with due consideration for the situation in which the competitive industries find themselves. This law, furthermore, has set down as the strict duty of electric corporations that they provide every consumer within the distribution district according to announced rate conditions.

² The extent of rate reduction by new water power plants is determined not only by the possibility of extending plant amortization, but more so by the relatively low operating costs which are allocated to the production of electricity. Since the direct and indirect advantages of flood regulation and navigation, especially the intangibles, can be estimated only approximately, the cost basis for rate calculation is more or less a question for politico-economic decision. Such decision may designate the established rates as "yardsticks" in the frame of the general power policy. These rates have to be calculated not on the total cost basis of the dam construction, but on the theoretically ideal typical cost basis of a modernized steam power plant.

policy which tends to reduce electric rates throughout the nation. And, so far, in the United States, the new public utility holding company law and the water power policy of the government complement each other in working toward this final goal.

Two tendencies can be noted in connection with the decline in the costs of electric production and distribution. The first is to use this reduction in costs for general economic purposes, such as rural resettlement and encouragement of small industry—in other words, extension of energy use into new fields by means of rates conforming to the general economic goal. The second aim is to reconstruct the rate structure so as to make it correspond more and more with the purchasing power of various consumer groups in order to intensify electric consumption within the already existing connections. If at the same time special consideration is given to the needs of the consumer groups for the different uses of electricity "social rates" are established.

The first of these endeavors is part of a general planning policy. On the basis of very cheap electric current steps may be taken, for instance, to set up new city planning policies which will increase suburban development by moving industries out of the cities. Or cheap electricity may serve to raise the level of agriculture in certain districts, to improve agricultural techniques or to transform the basic type of agricultural production, as for example from commercial field crops to animal husbandry. The main purpose of this article is to discuss the second aspect of the problem—the bearing of reduced costs of electricity upon the possibility of setting up adequate *social rates*.

Public opinion itself is still not clear in regard to what would constitute a sound rate policy. Evidence of this can be seen in the fact that certain political magazines in treating this question demand "uniformity of rates," not only as between city and country but also for the various kinds of consumers. It is certainly true that there is something fundamentally sound in the demand on the part of consumers for more uniformity in rates. The confusion of innumerable rates on differentiated levels is almost overwhelm-

ing. The Federal Power Commission and the Electric Rate Survey in their publications reveal not only widespread differentiation in rate schedules, but also tremendous differences between typical net monthly bills for residential service in the various districts of electric supply. Among the householders using twenty-five kilowatt hours per month differences have been shown which range from fifty cents to five dollars. This can scarcely be explained on the basis of differences in comparative costs. Conservative companies have concentrated upon technological development without simultaneously fostering commercial advancement, especially within monopolized outlet districts.

The fundamental question, then, is how the diminished costs can be the basis not only for an adequate decrease in the general rate level but also, on the one hand, for a simplification of the schedules and, on the other hand, for an adjustment of the rates to the different uses and to the purchasing power of the various consumer groups.

II

The Nature of Costs

In the rate policy of electric concerns capital costs are predominantly important, depreciation, interest and dividend charges amounting to from forty per cent upward of the total costs. The remaining items in the total cost of electric production are operating expenses (such as raw materials, wages, salaries), selling expenses, taxes, fees, insurance payments, etc. In order to establish theoretically ideal cost accounts we assume at the outset that we are referring to a modern company which is a part of an integrated system, and that the plant has developed a high degree of efficiency by balancing the load curve sufficiently, thus guaranteeing the fullest use of capacity throughout the year. Today experts are quite familiar with the cost of a normal typical investment for one kilowatt hour, and they know approximately the normal proportion between the single items in the costs of the

supply of electric current. These items are: 1) energy production; 2) distribution over high tension lines, including the transforming system; 3) low tension distributing system with transformers; 4) service to the consumer, such as meter-reading, etc. Experts know also the normal overhead costs of administration for each of these four items in the whole process of production and distribution.

In spite of the limited possibility of making useful comparisons between such theoretical figures and actual costs in practice, this knowledge leads nevertheless to valuable discoveries about valuations, sound investment and management policies. Furthermore, such standard analyses will suffice to show, for instance, whether local utilities are technologically retarded. Certainly it would be unsound and unfair to take high cost factors as the basis for rate making, especially in districts where the outlet has the character of a semi-monopoly, if these higher costs are occasioned by technological inefficiency which, in turn, may be a result of setting apart too little for depreciation through declaring high dividends.

It remains now to point out the peculiar character of the single cost factors in the electric industry, and to this end it will be necessary to go over some familiar ground.

As regards capital investment, electricity may be designated as a first class field, assuming prudent investment and a sound management. This is true, first, because the electric enterprises have large monopolistic or semi-monopolistic market districts, and second, because the saturation point is not attained for many years. New extensions often require proportionally small outlays of capital; frequently they even reduce costs per kilowatt hour by improving the load factor of the plant. Furthermore, the expansion of the market can be estimated to a certain extent, and the peak load influenced up to the time when new plants must be added. The risks, therefore, are limited, and as a result, in the investment field of public utilities, there should be no great differences between shares and bonds with regard to the security of returns.

Naturally electric utilities are first class investments only so long as the high returns during periods of prosperity are not the basis for evaluating assets, or so long as the extraordinary high prices of boom periods are not used for writing up the values of the physical equipment (reproduction cost theory). If these practices are resorted to, however, the shareholders will suffer losses in the periods of depression, when prices and profits decline. Through the use of such methods otherwise first class investments in utility shares are reduced to more or less speculative and financially unsound investments (as evidenced in the Insull fiasco).

In calculating the capital costs of a model electric utility, on the basis of prudent investment and a steady market development, definite amounts can be allocated for interest and dividends over a long period. For these we should assume an adequate level, in view of the constant need for new capital for further expansion.

Defenders of the reproduction cost theory urge public opinion and judges not to diminish the real value of founders' and promoters' incomes, and thus deprive them of their property, by making "prudent investment" the basis of asset evaluations and electric rates. These adherents of the reproduction cost theory believe in allowances for higher land values as a means of making public utilities more attractive in the capital market. But they forget that in times of falling prices assets and rates must be cut down if their theory is strictly adhered to. It is fallacious to apply the reproduction cost theory¹ only in times of prosperity and rising prices, and to deny it in times of depression.

The policy outlined above, which aims at obtaining a steady return upon invested capital in public utilities, is not only in the interest of maintaining their reputation as a first class field of investment, but also in the interest of the investors themselves and, not least important, in the interest of the consumers. Public utilities belong, as I have pointed out in my previous article, to that group of enterprises which offer services considered to be

¹ See J. C. Bonbright, "The Economic Merits of Original Cost and Reproduction Cost" in *Harvard Law Review*, vol. 41 (1928) p. 593.

necessary to everyone and which have a monopolistic command over a large part of the market. But this privileged position is granted them through franchises and is made possible through application of the right of eminent domain. Consequently consumers may expect public protection against unsound increases in the cost basis of electricity through the writing up of capital investments. Among competitive enterprises excessive valuations on land, for example, need no special consideration because competitors will cut prices by building on cheaper land.

For dependability of future returns¹ an adequate rate of depreciation charges must be maintained. The rapid development of electricity has perhaps been responsible for the neglect of this item of cost, mostly in favor of higher dividends. Depreciation charges in the electric industry are obviously too low, and not alone in the United States, where they are strikingly inadequate. The purpose of depreciation charges is, first, to cover the average wear and tear of physical equipment; in this use they are a constant, and may be calculated on the basis of prudent investment, without considering compound interest charges. Their purpose is, second, to serve as additional reserves for technical improvements,² in order that the concern may keep pace with modern technological standards; in this use they are a variable, intended to abbreviate the normal time of depreciation, and the movement of the price level of the equipment must be considered. If the company is capitalized in large part by bonds and loans then an additional amount must be put aside in order to meet the changes in the whole price level, in times of deflation for example, be-

¹ In the further consideration of the cost structure I follow the line of German textbooks, especially G. Siegel and H. Nissel, *Die Elektrizitäts-tarife* (Berlin 1935).

² It must be borne in mind that more than fifty per cent of electric production is in competition with other heat and power resources. If electricity were without any competition technical improvements would be postponed whenever the prospective costs of production and distribution would not justify the higher depreciation charges. But it does have competition to a certain degree, and therefore the companies have to maintain the most modern standard of technique. As a result the non-competitive sector (residential consumption) has to carry a special burden in favor of the competitive sector (industry).

cause capital reduction in the shares may not meet the depreciation of the entire investment.

The next problem in the calculation of costs is a consideration of the costs according to the manner in which they arise. It is not possible in electricity to distinguish between fixed and flexible costs per unit, as is done in some enterprises. In electricity the fixed cost items, oddly enough, are flexible inasmuch as the different consumers demand electric energy at quite different hours of the day and in different quantities at various intervals.

Electricity in its present stage of development is stored only to an insignificant extent. Consequently electric energy must be generated for the demand of any given moment. The highest simultaneous demand made by consumers determines then, the highest demand upon production, the so-called annual peak load, which in northern countries occurs usually during the busy winter hours shortly before Christmas. The size of the plant and of the distribution network is determined primarily by this peak load, as is also the capital investment. To this there must be added reserves of emergency equipment for cases of breakdown and for estimated increases due to increased business. In addition to the capital costs for investment one must also include those raw materials which are necessary to hold all the machinery in readiness to meet the demands of the consumers. The expenses of being prepared at any moment to produce electricity, so to speak upon demand, are the *demand costs*.

When it comes to actual consumption it is necessary to add to these demand costs the costs for the production of the momentarily demanded energy—the *operating costs* (including costs for raw materials, wages, salaries, special salaries, and the greater part of the costs occasioned by losses in distribution, etc.). These operating costs, in contrast to the demand costs, are nearly constant with regard to the energy unit sold.

A third type of costs—*service (or consumer) costs*—arises from the delivery of current to the consumers, and includes interest on and amortization for the connections and meters, costs

for meter-reading and a corresponding proportion of overhead costs. These too are in principle constant for each consumer in the same category (of use), but they vary according to the different groups of consumers and the various uses of energy.

The main problem in electricity is how to divide the demand costs among the different categories of use. I cannot go into detail about the twenty-odd different theoretical systems which claim to have found the most justifiable division of the demand costs among the many users of electricity. I wish to state only in general that it seems to me that the safest method is that which analyzes the demand costs at the point where they originate, and charges each category of use with that share of demand cost which corresponds to its use of electric energy at the time of the peak load of the plant. (By sample measuring quite accurate estimates can be made.) But many consumers use only a small amount of electricity during the peak hours, whereas their total consumption is considerable. In order to transfer a fair portion of the demand costs to these groups of consumers too, one of the fairest and most prevalent methods is to allocate the demand costs according to the diversity of the demand of all the consumers, with regard to the demand of the consumers during the hours of the peak load. The degree of diversity is measured by the so-called diversity factor.¹ The diversity factor reveals the relationship between the demand of any group at the peak load of the power plant and the highest demand of that group at any given time.

The demand costs are divided further according to the special conditions of delivery of the energy; high tension consumers do not participate in the demand costs of the low tension system. The demand costs are then allocated according to the measured demand of the different groups of wholesale consumers as well as of the other groups of low tension users.

In this division the other costs must also, of course, be taken into account; not only the demand costs but also the operating

¹ See for further explanation H. E. Eisenmenger, *Central Station Rates in Theory and Practice* (Chicago 1921).

and consumer costs must be allocated among the different consumers and consumer groups.

I should like to emphasize that every operating company or distributing company should constantly, as far as it is possible by random sample measurements of the different consumers and by measurements at the transformer stations, observe the load curves of the various wholesale consumers as well as of all the other consumer groups, and in addition the load curves of the different uses of electricity: heat, power and light. Only by continually observing the load curves of the consumers and the different uses of electricity is it possible to set up criteria for a sound rate structure, based on a normal division of the costs according to time and quantity of use.

Not only should these various load curves be observed for the present but estimates should be made as to their development in the future; the main purpose of this would be to determine in which direction, from the point of view of the concern's interest, the prospective sale should be stimulated in order to improve the load curve as a whole. This consideration of the future development of the load curves leads us now to a short discussion of the characteristics of demand.

III

The Nature of Demand

In an analysis of demand we should first consider the different uses of electric energy: light, power, heat and electro-chemical processes. We should then note which groups of consumers use electricity for these different purposes. Furthermore, we should take into account the prospective demand of the different groups of consumers. Such a detailed analysis of the market is prerequisite to the determination of rates in a responsible manner. Otherwise they will be decided only on the outmoded basis of past earnings, with the demand costs divided according to the principle that every consumer group should pay "what the traffic will bear."

Expenditures for electricity in households are limited to that part of income which people are able or willing to pay. The public use of electricity is limited to that part of the budget which may be set aside for electric street lighting, etc. In the commercial world the question as to whether or not electricity should be used is a problem of cost accounting, determined more or less by production costs or advertising costs. This cost accounting is based on comparative prices as between the costs of electric energy for the different uses and the costs of competitive substitutes, such as coal and oil, and the special qualities and conveniences which electricity offers are additionally taken into account.¹

A high appreciation of the advantages of electricity has been promoted by the efforts of electric concerns to raise the use of electricity to the standard of a life necessity. Through advertising every household is told that health is a question of the refrigerator and better sight a question of better light. The desire is growing among the people to make use of electricity in as manifold ways as possible. But in the poorest household—the consumer of electricity for lighting purposes only—the ability to pay is far less than the value placed upon electric light, which is considered an essential in any standard of living. Among the middle classes the need and desire for electricity and the ability to pay are more likely to strike a balance, whereas among wealthier people the ability and willingness to pay are much greater than the value they place upon electricity. The result is what may be called a rising curve of social tension, because large strata of the population have the desire to use more electricity than they can pay for.

According to the allocation of demand costs as determined in the cost analysis above on the basis of time and quantity of use, a certain utility factor has usually been allocated to each consumer group; thus the groups for which electricity, for various reasons, has become an indispensable utility have been charged a higher

¹ In order to meet this competition electric companies have urged technical improvements of appliances and machinery (as in the small motor which gives craftsmen and small entrepreneurs a new chance to compete with larger industries).

share of the demand costs and have been burdened with so-called "utility surcharges" in the final calculation of the rates. Thus it has been the consumers of light and the consumers of small quantities of power that have had to carry the highest proportion of the demand costs. In other words, the electric concern, in order to improve the load curve and extend consumption, has employed the shortsighted technique of overcharging that sector of its consumers where it holds a monopoly, while in that sector where it has to meet competition it has reduced the burden of demand costs or even eliminated them. The depression has shown that many electric concerns had increased overmuch their output in the non-monopolistic sector (especially in supplying industries) at the expense of the consumers in the monopolistic sector. During the time of prosperity these concerns had calculated the output for industries on the basis of demand costs far under their normal. The increased demand by industries occasioned, then, an expansion of the whole capacity. During the depression the huge reduction in service to industry not only caused a decline in the gross returns but also prevented the concerns from meeting the natural demands of the residential consumers that rates be brought down in line with the general trend of falling prices—an important point of political tension between the great mass of consumers and the electric companies. Thus the removing of demand costs from industrial rate schedules in order to meet the competition of gas, coal and oil was a dangerous policy not only for the concerns but also for the development of residential consumption.¹

Against this division of demand costs among the consumer groups according only to the often shortsighted views of the company, a general reaction has arisen. And by various means of con-

¹ Thus in a market analysis it is important to recognize the differences between two large groups of consumers: those who, during a depression, have a more or less steady need for electricity, and those whose demand fluctuates with the business cycle. Wholesale contracts for industrial supply must not be calculated on the basis of the demand during boom periods, but rather on an estimated average consumption for many years. Therefore public control and regulation are not adequate if only residential rates or rates of low tension consumers are considered.

trol and regulation the public attempts to obliterate the distinction between the monopolistic and the competitive sector, thus avoiding the undue discrimination against residential consumer groups and small power consumers. Even from the point of view of the electric concern it has begun to be recognized that it is desirable in the long run to consider the special interests of all the various groups of consumers in a new division of demand costs. Thus the division of demand costs according to the time and quantity of consumption is being modified according to the purchasing power of the various consumer groups and their ability and willingness to pay for the various uses of electricity, and this is being done in order to extend consumption, so that the load curves of the single groups as well as the average use of the whole capacity may be improved to the highest efficiency. Special rate structures are set up, adapted to the special economic conditions of the various consumer groups and sometimes even intended to promote special types of electric consumption.¹ The problems involved are complexly interwoven: if consumption is extended and the load curve improved, then there will be a reduction in costs; and if cost reduction is divided among all consumers according to their purchasing power and willingness to pay in each category of use, then in the long run there will be extension of consumption and improvement of the load curve.

¹ A few examples should show how such a promotion of special uses tends to increase consumption and improve the load curves of the several groups of consumers as well as the total load curve of the plants. During the night electricity is used mostly for protective lighting, for street lights and for factories with night shifts, and the greater part of the capacity is idle. This lowest part of the load curve can be raised by developing new kinds of uses for electricity under rate conditions covering only a small part of the demand costs, which are already low for these uses. Thus the use of water heaters can be promoted by means of special rates. (In Switzerland night rates have caused the installation of water heaters so generally that companies often have a peak in residential consumption which is higher at night than during the evening hours.) In several countries electric feed cooking for agricultural livestock has been increased through the introduction of night rates. And in Sweden we even find homes heated by means of heat stored nightly in stone blocks. We know too that cooking in households, in spite of its convenience and cleanliness, can become widespread only if the demand costs are lowered in the rate structure.

Indeed, it is even coming to be felt that electric concerns should go farther and should include another consideration in their revision of demand costs, even though it does not contribute so immediately and so greatly to the efficiency of the load curves. This is a consideration of those groups or subgroups of consumers whose purchasing power is low but who have, for various reasons, a considerable need and desire for electricity. It is felt that the lower economic classes and the small industries, craftsmen and farmers should also enjoy the benefits from the steady decreases in costs, and that therefore a certain part of their demand costs should be shifted to the more wealthy consumers, whose purchasing power is not so disproportionate to their needs.¹ It is this division of demand costs that "social rates" would achieve. Not only for political reasons should social rates be put into effect, but also because the extension of electric consumption throughout the population will have the psychological effect of increasing the desire for electricity. Certainly limits exist, and the limits of favoring the small consumers are reached if, for example, it becomes impossible to shift an additional part of their demand costs to the more wealthy consumers because of the latters' reluctance to extend their consumption any further, or if it should happen that the decreased rates lead to a disproportionate increase in the peak load.

IV

The Rate Structure

We should examine now how far the principles of social rates, as outlined above, are being carried out in the rate structure. For this it is necessary to draw a quick sketch of the historical de-

¹ It has been contended that decreased rates for the small consumers will immediately increase the peak load, thereby increasing the total demand costs. But experience has shown that the increased consumption resulting from such a lowering of rates will not load the peak unduly, because the additional peak burden resulting from the necessary improvement in lighting will soon be offset by the increased consumption in other hours and because the first purchases of new equipment are small appliances which mostly are not used in the peak hours.

development of rate structures, with special regard for residential rates. I mention only briefly the flat rate system (monthly payments in advance according to the estimated yearly consumption), which was applied especially in earlier times, when a more or less equal demand for light existed. At the present time it can be found only in regions where water power provides cheap energy, so that the operating costs for each consumer are more or less negligible and meter-reading costs can also be saved. In the course of time flat rate schedules were set up according to the new uses of electricity, power and heat, and they were graduated in various ways. The disadvantage of flat monthly rates is apparent: first, in order to cover the total costs the consumers in the monopoly sector must be overcharged in advance; and second, the consumers will be led to waste electricity — regrettable from the general economic standpoint. Only for street lighting, with its steady demand, are flat rates still a practical method of payment, and for this they are still in use.

With the more general use of electricity in every field another type of rate schedule, the "straight meter rate," found more and more universal application. Here demand costs, operating and consumer costs are combined and expressed in a kilowatt hour price which the consumer has to pay according to his actual use. It is accompanied often by minimum or initial charges which are disadvantageous to the consumers of electricity for lighting purposes only — mostly the poorest people. Even if the minimum charge is only one dollar per month, and represents a very small percentage of the household income, it is the utmost that poor households can afford to pay for lighting.¹ Public pressure has not only brought reductions in these fixed minimum charges but has

¹ In order to prove that expenses for electricity for the small consumer are only one or two per cent of the household budget, electric companies often seek to impress the public by comparing the amounts which consumers in some districts spend for lighting with their expenditures for cigarettes and other miscellaneous items. Such statistics are quite irrelevant — or is it their intention to prove that the "forgotten man" should not smoke at all but should modestly pay his monthly electric bill?

also initiated a general movement in various countries to abolish them altogether, even though electric companies insist that minimum charges of one dollar monthly do not fully cover the costs of services and connections.

In order to stimulate consumption, so that larger consumers would not have to pay on the average much more than their share of the demand cost as well as the justified utility surcharge, and that service costs—constants for every consumer—could be decreased, electric companies have introduced "step and block" rate systems, which have become more and more commonly accepted. In former times this graduating of rates according to the purchased kilowatt hours took the form of a rebate rate. Later, with the coming of electricity into widespread use, the blocks were adjusted to meet varying needs. The first block, with the highest rate per kilowatt hour, is devised to meet the cost of lighting, which actually has to bear the greatest share of the demand cost. The next block, with lower rates for a certain number of kilowatt hours, is intended for the use of small household equipment, including electric refrigerators. The third block, again much lower in rate, should make possible the use of electricity for cooking; and a further block with the lowest rates is intended to develop water heating during the night.

In my opinion it was an essential step forward to introduce the next type of rate schedules, the so-called demand cost rates: the English "two-part tariff," the Doherty rate, the Hopkinson rate and the Wright rate. With these systems it is possible to adjust the rates most closely to the costs for each consumer group. Their principle is to separate the demand costs, paid in monthly fixed amounts, and the service costs, paid as meter costs, and the operating costs, paid for the number of used kilowatt hours. The demand cost rates are typical wholesale rates, because the demand costs may be measured under this scheme nearly exactly, and the operating costs are determined according to actual use. For the low tension consumer groups a fixed monthly payment is estimated (mostly on the basis of trial measurements), representing

an equivalent portion of the costs for the installed kilowatt units and for their readiness to go into service. Payment is made also for the used kilowatt hours, in order to cover the operating and service costs; because of the diverse purchasing power of the consumers often a part of the demand costs is not charged in the fixed monthly payment but is shifted to the operating costs and paid according to the use of kilowatt hours. The fixed monthly payment as well as the operating costs may be graduated according to the various uses and according to the time and amount of consumption.

A new progressive step can be seen in the fact that through this system it is possible to graduate in several blocks the fixed monthly payments, calculated on the basis, for instance, of the number of rooms or the size of rooms or the number of cultivated acres or the number of dairy cattle. This principle is based on the experience that a certain relation exists between space and electric consumption among the various income groups, and that it is therefore possible to divide the demand costs partly on the basis of the number of rooms or the floor space. In some cities fixed payments are based not on room space but, as in England, on the rents. The operating costs can then also be graduated according to the actual metered kilowatt use. The advantage of this fixed payment demand rate system is, therefore, that even poor households, after having made a fixed payment for their share of the demand costs, can increase their consumption through graduated block rates which cover only the operating costs. By this means they are able to install with advantage new appliances for the use of electricity. The disadvantage of this system is that those who normally use little electricity must always pay the fixed payment, even though their actual use is very small, and that they must pay also in times of absence, unless there is a choice between the demand cost schedule and the straight meter rate.

In Central Europe the main tendency is toward a refinement of these demand cost rates. In the United States too the attempt was made after the war to use the more modern types of demand cost

rates based on rooms, floor space, rent, etc. But, perhaps as a consequence of increased control and regulatory activities of state power commissions, companies no longer dare to introduce modern rate schedules—rates better adjusted to actual cost relations and social conditions, and therefore effective in relieving the plight of the groups paying the highest rates in proportion to their purchasing power. Pressure by the commissions to reduce rates has had the result that the companies tread the more cautious path and, as we have seen, follow the more profitable route of decreasing the rates in the different blocks and steps of the older rate systems, and especially diminishing the already lower second, third and fourth blocks—particularly since decreased rates in these blocks promise an increased consumption among the middle classes and wealthier patrons. Consequently the first decreases in returns reversed themselves and became, for the companies, larger earnings. Thus the pressure of the commissions upon the companies to reduce rates effected greater business activity. And especially in America new advertising methods have been introduced, with the result that electric concerns have won markets from the gas industry, the latter not being under the same pressure to decrease rates, and have tremendously increased the application of electricity. Only in recent years has gas begun again to improve appliances, in order to withstand competition.

The disadvantage of the rate reforms of the last decade has been that the small light consumers have not obtained any proportional and adequate relief. In one large city, in spite of intense activities by the commission and in spite of the cutting of most rates, thirty per cent of the light consumers have received practically no decrease since 1913. The explanation is that the company had provided statistics showing that these groups, because of the low level of their purchasing power, would use no more electricity if the rates were lowered. In view of the experience of many countries I should doubt the value of such statistics about the stability of electric consumption among those groups now paying the highest rates. We do not know whether consumers in these groups

have remained the same from 1913 to 1936. I think that there has been a change, that new consumers have been added and that a corresponding part of the old consumers have increased their consumption and would have increased it even more if they—as the group with the highest rates—had not been neglected in the making of rate decreases. But in any case the social problem remains for this low income group of “little light consumers”; they, above all, should be allowed to share the benefits of rate reduction, since the need and desire for electricity in these ranks are high but cannot be satisfied at the present rate.

The question remains, therefore, whether it is possible not only to diminish in an adequate way the relatively high rates of the consumers who use light exclusively, but also to give this group of consumers, living on a small income, a chance to obtain still further reductions if they begin to use electric appliances, refrigerators, etc. This problem is especially acute since public pressure, not only in the United States but also in France, Poland, Germany, etc., will force electric companies to introduce new simplified rates which will stimulate increases in consumption.

The administration of the TVA tried to bring pressure to bear in this direction upon the rates of the neighboring companies. The problem for the private companies was how to lower their own rates to meet this price pressure. In one solution two new rates were simultaneously introduced. The so-called “immediate rate” permitted insignificant reductions of the previous rates to all consumers, irrespective of increased consumption. The so-called “objective rate” was designed for those consumers who were able to increase their consumption in comparison with recent years. By this objective rate, which functioned automatically, those consumers who could make use of more current got a larger number of kilowatt hours at the same total price as would have been the case at the decreased immediate rate. Therefore the consumer was made a present of a certain number of kilowatt hours beyond his previous demand. In some concerns the immediate rate will be diminished gradually year by year, so that after a certain time it

will attain the same level as the objective rate. This means that the diminished earnings of the concerns will be divided over a long time, that finally even an increase in earnings will occur as a result of the increased consumption stimulated by the objective rates. This is without doubt a practical way of getting out of an emergency situation forced upon the concerns from the outside, but it is not at all a solution of the question of socially and economically progressive rates. It should be mentioned moreover that by taking advantage of objective rates all those consumers who had earlier increased their demand for electricity will now be punished for their "progressive" attitude. A certain discrimination against the little light consumers is again evident, for without consideration for differentiated purchasing power the reductions in the immediate rates were put into effect equally in all the blocks of the former rates.

Very recently, in attempting to provide for the little light consumer, especially if he also increases his demand to a certain extent, modern companies introduced a new rate system, the so-called "normal consumption rate." For a determined number of rooms or floor space, or, better, according to the rent, a definite normal consumption of a certain number of kilowatt hours is assumed, according to previous experience of the demands of various consumer groups. This normal consumption, in accordance with the cost scheme mentioned above, is calculated in correspondence with the demand, operating and service costs, so that the smaller rooms or the lower rents are relieved of a part of the demand costs while a correspondingly higher share of the demand costs is shifted to the larger room space or higher rents. If the normal consumption of a certain number of kilowatt hours in any estimated unit (e.g. a household) is exceeded an important reduction ensues at once; thereby new demands will be stimulated, in the same way as by the promotional or objective rates mentioned above, which have stimulated the demand in one year by twenty to thirty per cent of the former consumption.

But it is essential in the new normal consumption rate scheme

that the progression take place on a basis which is adjusted to the consumer's need and desire for electricity as well as to his purchasing power. We know from experience that by means of advertising wealthier people will also increase their consumption, even if the price base of their normal consumption is higher, if only beyond this normal consumption a decrease in the price may be expected. A refined scheme would be to combine floor space and rents as the basis of normal consumption, so that for small floor space, say one or two rooms, those who pay higher rents would have higher rates than those who pay lower rents. This system would have to carry somewhat higher administrative costs at the time of its introduction but later administrative overhead costs could be reduced more than in the case of the step and block straight meter rates. The chief advantage is noticeable. The little consumer is benefited not only by the lower rates, but above all by being given a "chance" to increase his consumption advantageously.

This normal consumption rate should be further graduated according to the normal consumption in the different months. During the summer the amount of normal consumption is less than in the winter time. In addition, always with consideration for the little consumer, a simple kilowatt hour rate scheme should be established alongside the normal consumption rates for those consumers choosing to use it.

The normal consumption rates should also be introduced for agriculture. For economic reasons, in order to adjust the rates to the special economic conditions, they should be based on the number of acres under cultivation or on milk production, according to the different types of farms. As to the power supply for small farmers, and even for large ones, such a normal consumption rate can be equally advantageous to the consumer and to the concern; the farmer can often be convinced that on the basis of these rates he will be able to extend the electrification of his farm, and thus he will consider in advance the advantage of electricity as compared with other power sources. And also here, for the small

farmers, the social conditions should be taken into account; their share in the demand costs should be proportionally less than that of bigger farmers. In the same way, in order to introduce the use of small electric motors, normal consumption rates should be set up for small entrepreneurs and craftsmen, also for trade and advertising. Under such a rate scheme for farmers and craftsmen the consumption of light, heat and power can be joined together and measured on one meter. This rate scheme is also of significance in that an undertaking shifting to electric energy can calculate its whole risk more accurately; thus from the beginning this rate scheme has a more stimulating effect on production, especially in small factories which can expect further expansion.

The general public demand for simplification of the rate schedules is certainly justified, especially wherever various rate schedules on different levels exist within districts of similar consumer groups. But complete uniformity does not yet seem advisable. A certain specialization of rates according to the different needs must remain, in order to stimulate demand for energy in times of the lower load of the plant. The problem whether the same schedule on the same level should be used in city and country cannot be solved today in general terms. Normal consumption rates, particularly for farmers, can result in special advantages. These rates can foster further electrification because each farmer is interested that every other extends electrification. On the whole, special agricultural rates can meet the particular requirements of the farms more sufficiently than can uniform rates in city and country, because of the special character of the agricultural load curve. Thinly settled districts in agriculture still have special problems and therefore subsidies from rural electricity administration bureaus will also be needed.

The key problem of modern rates is their adjustment toward a balance between purchasing power and need and desire for electricity. If electric companies meet these requirements, according to the principles of a model concern in practice, the result will certainly be a diminishing of the political tension. On the

basis of a sound social rate system advertising and information about new appliances will doubtless bring a further expansion of the industry, a still larger increase than we had in the last prosperity period. And by this means the electric industry will come nearer to the goal of ironing out the sharp fluctuations in the load curves and can thereby increase the total output. We will come nearer to the point of using fully six thousand hours or more in the year for electric production. Then it will be possible to think about new rate problems, the problem of uniformity of the kilowatt rates throughout the country and for different uses. But up to that time uniformity is a dream, and, in practice, the demand remains: "Social Rates."

This demand embraces five fundamental principles. First, a schedule which corresponds to the purchasing power among the consumers as well as to their need and desire for electric energy. Second, easily understandable and very simplified rate schedules for every consumer. Third, only one meter for heat, light and power. (Only an automatic switch is necessary in order to prevent undesirable kinds of consumption during the daytime, as, for instance, water heating.) This will diminish the service costs in general. Fourth, a stimulating promotional rate for surplus consumption through important decreases in the price of all surplus demand above the normal. Fifth, a schedule which will increase consumption especially in times of the low load curve of the plants. These general demands will be met best by the introduction of normal consumption rate schemes.

It is on the basis of general cost reduction in the supply of electricity (through technical and organizational progress) that the trend toward social rates has become possible. Only in following this trend will there be established a unified and successful power policy which embraces the whole field from production to ultimate consumption.

THE SOVIET UNION AND THE BUSINESS CYCLE

BY ARTHUR FEILER

IT HAS become a commonplace that the Soviet Union is "the land without unemployment," thus contrasting it with the rest of the world which with all its efforts and devices through the past six years has only diminished but not abolished this plague. But, like so many other popular slogans, this says both too much and not enough. For actually the Soviet Union has had unemployment for a very long period, beginning with the wretched remnants of the war, the revolution and the civil war, and lasting until about 1930. Furthermore, if the popular phrase, as is usual today, combines with the elimination of unemployment the broader idea of "security," again it is inaccurate. For only three years ago the Soviet Union had to endure the famine of the winter 1932-33, which followed the compulsory collectivization of the peasants and was relieved only by the good harvest of 1933—a calamity of a degree unknown and unthinkable in other modern countries during peacetime. Indeed, life in the Soviet Union, even in the nineteenth year after its revolution, is not an easy one, not plentiful, not secure, and the Bolsheviks themselves are far from pretending that it is.

But there is a much bigger problem behind this popular slogan. The Soviet Union, during the nineteen years of its existence, has not had the business cycle. It has not experienced that fateful course of upswing and depression by which our world is regularly shaken to its foundations, time and again, by which people are called to work and after a certain period are thrown out of work, condemned to unemployment. The Soviet Union, in these nineteen years, has gone through catastrophes, through misfortunes, through bad times and somewhat better times. But these developments have in no way corresponded to the cyclical changes in the

rest of the world. They have not even been isolated, domestic cyclical ups and downs. They have been determined by non-cyclical events: by political decisions, such as the socialization of industry or the collectivization of the peasants, the War Communism of the first period, the New Economic Policy of 1921 or the newly accelerated industrialization initiated in 1927—determined by these political decisions and by the capacity or incapacity of the land and the people to live up to them. The problem is whether this absence of cyclical changes is only transitional or whether it may be regarded as a permanent new situation, and, in the latter case, what might be the reasons. An appropriate answer can be found only by applying to this problem the theory of the business cycle, by examining in the light of theory cyclical developments in the rest of the world and their absence in the Soviet Union.

I

Isolation—Industrialization—Inflation

The opinion that the business cycle has been only temporarily avoided in the Soviet Union, and that it will appear there too when the particular conditions of its present stage have disappeared, is usually based mainly upon these circumstances: the seclusion of the Soviet economy from the world's economy; the industrial backwardness of the country and its sudden violent industrialization; and finally the inflation resorted to by the Soviet government during the last years and only recently abandoned or at least abjured.

It is not the intention of this article to discuss the efficacy of these or corresponding methods (autarchy, public works, credit expansion and so on) as means of recovery in other countries. Whether they can be practiced for this purpose, to what extent and with what favorable or possibly destructive results—these questions are to be answered differently for different countries according to their different economic structures and basic condi-

tions. The present problem is their effect in the particular situation of the Soviet Union, especially with regard to unemployment and the business cycle. In this regard it should be said that the factors mentioned above doubtless played a role in the actual development, but do not suffice for answering, either in the affirmative or in the negative, the principal question.

As to the so-called isolation of the Soviet Union, two entirely different aspects should be considered. During the period of the first Five-Year Plan (the last quarter of 1928 to the end of 1932), that is, during the most acute years of the world economic crisis, the economic interconnection of the Soviet Union with the rest of the world—by buying, borrowing and selling—was, in terms of figures,¹ by no means insignificant; it is only since then that it has been reduced. Imports at that time totalled about 4 billion gold roubles (about $3\frac{1}{2}$ billion present American dollars), consisting especially in machines, machine tools and other equipment for the new industrial plants as well as for agriculture. Credits were needed, and had to be repaid later on. And exports had to be kept at a relatively high level: while world exports shrank to 34 (with 1929 taken as 100) Soviet exports diminished only to 54. Thus in the years of greatest strain the Soviet Union too was afflicted by the world's troubles, by the decline of prices, the disturbed relation between agricultural and industrial prices, the disruption of the world's monetary and credit relations, the worldwide tendency toward economic nationalism. Its isolation was only partial.

Much more interesting is the other aspect of the problem. In spite of all these afflictions coming from without the Soviet Union was able to restrict their influence in such a way that its own economic life was not drawn into the same depression. The decisive means for this defense was of course the Soviet foreign trade monopoly and the way in which it was managed. But this protec-

¹ Cf. Rosenholz, A. P., "Foreign Trade of the U.S.S.R.," Speech delivered to the Seventh Congress of Soviets, January 30th, 1935, in *Soviet Union 1935* (New York) pp. 403-25.

tion itself is not seclusion from the outside world. On the contrary, it may be used sometimes for a very serviceable interconnection: for selling abroad surpluses that are not needed and might therefore engender disturbances in the domestic market, thus balancing the domestic "planned" economy through the "unplanned" foreign markets. At all events, a foreign trade monopoly can be combined with extensive as well as with entirely insignificant foreign economic relations. And the Soviet foreign trade monopoly must be understood not simply as a means of isolation but as a part of the whole Soviet social-economic system, which is to be dealt with later.

Finally, even the most complete isolation would in itself give no answer to our question of the business cycle. For certainly F. W. Taussig is right in saying, "A country quite without international trade, shut within its own borders, would still be confronted with unemployment, as with other evils, so long as its industry rested on private property, complex division of labor, free movement of labor and capital; on hopes, fears and mistakes in the business world."¹

Nevertheless, since the Soviet foreign trade monopoly affords the possibility of developing a particular domestic trade situation not necessarily identical with the business situation existing at the same time in other countries, it might, in combination with the country's backwardness, its rapid industrialization and its practice of inflation, be sufficient explanation for a temporary high intensity of productive activities and consequently for the full employment of the workers. Building power plants, steel works, factories, railroads and the like means a correspondingly increased demand for labor. And if such constructive works are speeded up to an extent that they demand the utmost strain of every hand and nerve, if furthermore they are promoted by inflationary credit expansion, then there is nothing astonishing in the fact that unemployment disappears. The industrial backwardness of the old Russia and even of the present day Soviet Union is only another

¹ *Principles of Economics* (3rd rev. ed. New York 1921) vol. 1, p. 512.

help in this regard. Man labor is inefficient and therefore more laborers have to be used for the same production than in more highly developed countries. Costs of production are high. But the foreign trade monopoly prevents the competition of cheaper foreign goods on the domestic markets; and it makes the necessary exports feasible regardless of these high costs of production, by shifting the burden to the domestic economy (a system developed today to its highest degree by Germany, for example, even without an official foreign trade monopoly). Because of the backwardness of the country there prevails today an urgent unsatisfied and unsatisfiable demand for every kind of industrial commodity. The Soviet Union need not worry about the sale of its production, it need not be alarmed by a fear of overproduction of any commodity; there is today an underproduction of all commodities. This may change sooner or later, when the new industrial plants, first representing an urgent demand for capital goods for their construction, will themselves to a larger extent produce and offer their own production on the markets for consumption. And then the Soviet Union too will be confronted with the problem, so familiar to the western world: overproduction of some commodities and unsatisfied demand for others. Doubtless this will be a hard test for the Soviet economy too. But must it lead to the business cycle, which in the western world is characterized by these very disproportionalities? Not necessarily. Here again we find no answer.

For the factors so far discussed give no answer for the future, and even for the past and the present they provide no sufficient basis for answering our problem. The process of growth in the Soviet economy differs from the analogous development in other countries only by measure and tempo, not essentially. What is the meaning of backwardness? For the immense majority of mankind the wants for goods and for leisure are not satisfied in any part of the world; in this respect no country can pride itself on not being backward. On the other hand, the gigantic growth of European manufacturing industry in the nineteenth century, the

spread of agriculture and trade and railroads and highways over half a continent by the United States, the industrialization of the younger countries today—all these achievements are certainly no less significant than the introduction of modern machinery in industrial and agricultural production in the Soviet Union. But all these developments in other countries, in Europe, in America, in Japan, have regularly been accompanied by the most severe crises, themselves indications of the rapid development. And even when the world succeeded in softening the worst appearances of these crises, the troublesome fact of the business cycle remained. The long run economic upswing of the last decades before the World War did not proceed in a continuous, smooth development but in fatal waves of exaggerations and retrogressions, of overexpansions and contractions. Why did this not happen in the Soviet Union? Its isolation, backwardness, rapid industrialization and inflation would lead us to assume that crises and cycles would occur there in an intensified and quicker sequence. But they have not occurred, and these factors alone can give no answer as to whether such cycles are only postponed, or whether it is only by chance that they have not occurred. To find an answer it is necessary to examine more closely the Soviet system itself—its planning and its social-economic construction.

II

Planned Economy

In the western world the discussion of planning, like that of socialism, is darkened by a deplorable ambiguity. The same word is used for at least three entirely different interpretations. There are those who mean by planning practically every measure of what we have been accustomed to call plainly and modestly economic policy, every activity of the state—and even of its sub-units, and even of private organizations—in the economic field. These partisans of a planned economy find little difference between extensive public spending for recovery, or a communal water supply, or local irri-

gation of agricultural land, or a central bank system, or city-planning, or a county power plant, or national immigration laws, or big private industrial cartels and trusts. Only the protective tariff (because it is so venerable?) is usually excepted. But by this group everything else that sounds like intervention, like interference with the anarchic market, is called planning. A second group, however, is fully aware that although single, partial, incoherent interferences may successfully or unsuccessfully exercise an influence in their particular field, even with the best results the outcome will not be a planned economy. Isolated interventions in some fields may change their balance in relation to the other unregulated parts of the national economy, but a new balance of the whole must then be found through the unregulated, unplanned system itself. Therefore it is the basic idea of this second group that planning must start from a general plan steering the whole economic system and that only from such a comprehensive plan can the different single plans be deduced. But while this is agreed upon, there remains in this group a decisive divergence about the means of accomplishing this issue. Omitting minor differences and enumerating only the two contradictory principles, although there are some important shades in between, the one side believes that the system of private enterprise, of private ownership of the means of production, can be retained. The other side feels "the impossibility of effective planning, unless the planners have full control of the main instruments of production. And control, if it is to mean the power to say: This and that plan is to be carried out, not merely this and that is prohibited, but outside these limits anything can happen — practically implies ownership."¹ But all this is supposed to be covered by the single word planning; the ambiguity could not easily be greater. During the last few years, however, a certain conformity has developed among the three groups, at least about the aim to be pursued by planning. This common aim is to overcome the depression and possibly to prevent its return. The dominant idea of the planners is that by

¹ Woolton, Barbara, *Plan or No Plan* (New York 1935) p. 271.

planning, whatever that may be, we may be able to evade the business cycle. And for this hope many (although again not all) of them refer to the pattern afforded by the Soviet Union: isn't it to its famous Five-Year Plan that it owes its deliverance from this evil?

In these circumstances it cannot be emphasized too strongly that Soviet planning has nothing in common, either in origin or in aims, with these western interpretations of a planned economy.

Even the third group of planners, those whose aim is socialization, think of socialization primarily as a means for effective planning. Planning is their outstanding aim. As E. W. Eschmann wrote in 1932, concerning the German development of these ideas, "The way of understanding the economic necessities led from socialization for the sake of socialization to a national planned economy, in which the socialization of certain economic fields serves as a means of realization."¹ The actual procedure in the Soviet revolution has been just the opposite. It began in 1917 with socialization: expropriating private ownership in industry, banks, commerce, transportation; nationalizing the land; extinguishing the property class. And after this was done there was still no "plan" for a long time.

Planning in the Soviet Union was made imperative by a trivial technical necessity, by the requirements of the budget.² Once the state owns economic enterprises, their profits and their losses are part of the budgetary incomes and expenses; and their needs for new capital must also be taken care of by the state, thus competing with the other needs of the state for loans and credits. This is obvious for every state, and much more so for the Soviet Union, where the revolution made the state sole owner of such a huge assortment of miscellaneous undertakings, where, to mention only one instance, every fixation of the price of an industrially produced commodity and every wage fixed for its production is,

¹ Eschmann, E. W.: "Nationale Planwirtschaft: Grundtige" in *Die Tat* (June 1932) p. 242.

² Feiler, Arthur, *The Russian Experiment* (New York 1930) pp. 74 ff.

among other aspects, a question of the budget. Thus the budget of such a state must deal not only with the state's financial administration, but it must, broadly speaking, comprehend the whole national economy as such.¹ As a matter of fact, this task remained unfulfilled during the first chaotic years of the Bolshevik revolution. The Gosplan, the State Planning Commission, was not set up until 1921,² and for four years it lived a very modest life. Not until 1925 did it establish its first plan for the coming year and this, as well as the so-called control figures for the following years, remained very insignificant and very ineffective attempts at budgeting. Only since December 1927, ten years after socialization, when the decisions for the first Five-Year Plan emerged from the dominant political bodies, has planning begun to be conspicuous. There it is: socialization for the sake of socialization and planning as a technical means for its realization — a line of development in complete contrast to that in western thinking.

Moreover many planners in the west still believe that planning is an objective procedure, that only a central coordinating body of experts is needed in order to smooth the waves of upswing and depression. This is a mistake for it overlooks the sociological aspects. Every state interference in the economic field changes the distribution of the national income and of the national wealth. Therefore every decision of interference, just as every decision of laissez faire, of non-interference, grants privileges to some groups

¹ "The unified financial plan, as distinguished from the State budget which forms part of it, includes all monetary accumulations of the socialized economy (profits, turnover, tax, contributions paid by the economic organizations calculated on the basis of their pay rolls), and resources of the population (taxes, State loans, shares, deposits in savings banks, etc.), and all the expenditures for capital investments, the increment of turnover resources in production and circulation, as well as expenditure for cultural needs and administration." See *Summary of the Fulfilment of the First Five-Year Plan for the Development of the National Economy of the U.S.S.R.*, Report of the State Planning Commission of the Council of People's Commissars of the Union of Soviet Socialist Republics (Moscow 1933) p. 219.

² Cf. Pollock, Friedrich, *Die Planwirtschaftlichen Versuche in der Sowjetunion 1917-1927* (Leipzig 1929); Jugow, A., *Die Volkswirtschaft der Sowjetunion und ihre Probleme* (Dresden 1929).

at the expense of some other groups. Every such decision, of intervention or of laissez faire, consequently depends for its direction upon the political power of the different groups in the state. It is, and it must be understood as, a political decision. And this of course is all the more true of a comprehensive plan for the national economy. Such a plan is neither socially neutral nor is it, as such, socially "progressive" or "reactionary." What it really is depends on its content and this again depends on the relative strength of the political forces deciding this content. The plan in a planned economy is the condensation of the political will of the nation.

And this characteristic too is evident in Soviet planning. The first Five-Year Plan was called "the second program of the Communist Party," indeed the best definition of its thousands of tables and diagrams. Or in the words of the State Planning Commission itself: "The concentration of the economic key positions in the hands of the proletarian State ensures to them the leading and socialistically transforming role in the development of the whole economy of the country. Thanks to this, at all stages of its development the plan of national economy stands forth as the plan for the building up of socialism."¹ This is emphasized again and again. When Stalin in January 1933 delivered his report on the results of the plan,² he once more raised the question, "What was the fundamental task of the Five-Year Plan?" and once more he answered: to industrialize, collectivize, "utterly squeeze out the capitalist elements," to increase to the utmost the power of defense of the country—socialism. And of the second Five-Year Plan Molotow, in his speech delivered to the Seventh Congress of the Communist Party of the Soviet Union, said exactly the same in other words: "We are setting ourselves three fundamental tasks in the Second Five-Year Plan period. These are the tasks: The first, and at the same time the *basic political task* of the Second Five-Year Plan period is 'the final liquidation of the capitalist

¹ *Summary of the Fulfilment of the First Five-Year Plan . . .*, cited above, p. 1.

² *From the First to the Second Five-Year Plan* (New York) pp. 3 ff.

elements and of classes in general; fully to destroy the causes which give rise to class distinction and exploitation; to overcome the survivals of capitalism in economy and in the consciousness of people; to transform the whole working population of the country into conscious, active builders of a classless, socialist society.' (Seventeenth Party Conference.) The *second task* is to further improve the well-being of the masses of workers and collective farmers and to increase the level of consumption of the toilers two to three times. The *third task* is to complete the technical reconstruction of the whole national economy—industry, transport, agriculture. These three tasks are indissolubly bound together and determine the very essence of the work of socialist construction in the Second Five-Year Plan period.¹ These political aims are absolutely decisive in the Soviet plans, and it is quite logical that the differences of opinion and the impassioned fights in the dictatorial party itself (among its ruling group, its right opposition and its left deviation) are centered in them. The avoidance of crises and of the business cycle are only seldom and incidentally mentioned in the discussions of these plans. In this respect too planning in the Soviet Union is incommensurable with the ideas of planners in the west.

But necessary as this understanding is for the theoretical clearing up of the discussion of planning, there still remains the decisive practical question. For it is conceivable that the absence of the business cycle in the Soviet Union, although not the primary aim of its planning, might nevertheless be attributable to its plans. Actually the outcome of these plans² denies such an assumption. In the first Five-Year Plan the Soviet regime doubtless achieved remarkable progress in pursuing its political issues. But as far as planning, as budgeting, is concerned, the actual achievements were unsatisfactory to the utmost. The Soviet regime succeeded in claiming large parts of the national dividend for politi-

¹ *The Tasks of the Second Five-Year Plan* (New York) p. 9.

² Cf. *Summary of the Fulfilment of the First Five-Year Plan . . .*, cited above, and Aühagen, Otto, *Die Bilanz des ersten Fünfjahresplanes der Sovietwirtschaft* (Breslau 1933).

cally predetermined purposes. While the population had to be content with a very low standard of living, capital investments in the national economy during this period of 4½ years amounted, according to the official figures, to 60 billion roubles, 52.5 billion in the socialized and 7.5 billion in the private sector. Cautious though one has to be toward all such calculations, there is no doubt that enormous constructions were built up by the work of the poorly nourished, poorly dressed, poorly housed population. Rapid industrialization was actually achieved, as was also the destruction of the kulaks, the collectivization of the peasants. The regime could pride itself on another victory toward its political goal of transforming the country by hard sacrifices in the present for expected benefits in the future. But planning? No.

Even in the interrelations of the different industries great inconsistencies occurred, the development of some not keeping pace with that of others; there were wide incongruities between the production of power (coal and electricity) and the demand for this power for the production of goods, between the production of raw materials and of finished commodities, between the production of productive and of consumptive goods. Still greater miscalculations of the plan were evident in transportation: in 1932 the operation-length of railway lines reached only 88.7 per cent of the plan figures, but freight traffic amounted to 169.3 per cent and passenger traffic even 237.6 per cent of the plan's prophecies—commodities and men planlessly travelling around. But the most troublesome errors emerged in the field of labor, efficiency, costs, prices and capital requirements. Instead of the per capita production of 5817 roubles expected for the last year of the plan (compared with 3222 roubles for 1927-28), the average productivity of workers in 1932 was only 3716 roubles; instead of the total of 15.76 million workers and employees expected, the actual number in 1932 was 22.80 million, with an average wage of 1432.4 roubles as against 994 in the plan, and with total wage earnings of 32.67 billion as against 15.68 billion in the plan—257 per cent. Thus all monetary expectations of the plan were overthrown.

Instead of the expected diminution of the price level there was a serious increase, reflected of course not only in the cost of living but also in the cost of the newly erected plants, in the amount of capital required for this construction — inflation instead of the expected balance. Indeed this first result of planning as planning was not very inspiring. Longer experience may bring out better results; at all events the immense difficulties of such a gigantic experiment must not be overlooked. But for the Soviet regime it was a victory in spite of everything. Quite rightly it calls the plan "a directive, a set task, and not a mere forecast."¹ Thus for this regime economic balance was not the decisive issue; it reached its aims, but its aims consisted not in balance but in politically determined social changes.

The absence of the business cycle certainly cannot be attributed to the existence of planning, when it has resulted in such a lack of equilibrium. On the contrary, according to all experience the normal necessary outcome of these developments ought to be the very thing that was avoided — crisis, depression, the business cycle. Thus Soviet planning, that astounding combination of budgetary technique and political will, provides no explanation and we must turn to the reality behind it, to the social-economic structure of the Soviet Union.

III

Soviet Communism

There is endless discussion as to whether the social system being built in the Soviet Union be communism or socialism or simply state capitalism. But whatever one may choose to call it, the decisive question is whether the social-economic system of the Soviet Union represents a definite distinction from capitalism with regard to those factors that cause the business cycle. The answer is that it does. The fundamental difference is to be found in the role played by the single man, the single entrepreneur, the single enterprise, the single industry, in the Soviet economy on the one

¹ *Summary of the Fulfilment of the First Five-Year Plan . . .*, cited above, p. 1.

side and in capitalist economies on the other. Taussig's reference to "hopes, fears and mistakes in the business world" has already suggested the decisive importance of this factor.

Indeed, since Clément Juglar in 1860 used the felicitous formula that "the upswing is the only cause of the depression," this connection between the business cycle and the responses of single individuals acting economically according to their "hopes, fears and mistakes" has often been described. The present author emphasized it when analyzing the last prewar German business cycle: "What causes the fateful regularity of upswing and depression? The ultimate answer is that economy is operated by living men; not by mechanical rules and inanimate machines, functioning accurately and automatically, but by men with inclinations and aversions, with greeds and passions, with hopes and doubts, by men who hazard and venture, who hunt after gain and wealth, and who do so nowadays with greater boundlessness and greater ruthlessness than at any time before. . . . There are periods when for some reason or other, originating from within or without, people begin to believe that now is the time for enlarging the old plants and for building new ones. And such periods of rising hopes, when everybody is looking forward to increased prosperity, are followed by other periods of hopelessness, just as contagious as the former ones, when nobody dares to invest capital, when everyone is eager only to diminish his production, to reduce his stocks in hand, when everyone wants to sell and nobody to buy. . . . The consequence is that in times of upswing we temporarily exaggerate the upswing . . . until the general optimism is replaced by an equally general pessimism."¹ This is the point emphasized by Joseph A. Schumpeter when he raises the question, "Why is it that economic development in our sense does not proceed evenly as a tree grows, but as it were jerkily; why does it display those characteristic ups and downs?" and answers, "Exclusively because the new combinations are not, as one would expect according to general principles of probability, evenly distrib-

¹ Feiler, Arthur, *Die Konjunktur-Periode 1907-1913 in Deutschland* (Jena 1914).

uted through time—in such a way that equal intervals of time could be chosen, in each of which the carrying out of one new combination would fall—but appear, if at all, discontinuously in groups or swarms"; when he asks again, "Why do entrepreneurs appear, not continuously, that is singly in every appropriately chosen interval, but in clusters?" and answers, "Exclusively because the appearance of one or a few entrepreneurs facilitates the appearance of others, and these the appearance of more, in ever-increasing numbers."¹ John Maurice Clark cogently adds that these actions and reactions of the individual business men do not result primarily from mistakes of judgment but that in pursuing individual interests the business men have to respond in the way they do: "The trouble seems to be not so much that business men mistake their interests—though that does happen, and aggravates some of the difficulties—as that their actual interests lie in doing the things which bring on the cycle, so long as they are acting as individual business men or representatives of individual business interests. A business man who refused to expand his sales on the upswing would gain nothing, and one who refused to retrench on the down-swing would probably go bankrupt. . . . It seems to be a case in which the best policy for an individual to follow in adjusting himself to the existing bad conditions is not the same as the policy by which the business community as a whole may hope to get rid of the evil. It is only from a change in these customary reaction patterns that we may hope for real changes in the result."²

These responses of the individual business men are not possible in the Soviet economy. The multitude of single entrepreneurs and of single enterprises appearing "in clusters," first optimistically expanding and after some time pessimistically contracting, does not exist in that social structure. There the state, broadly speaking, is the only business man. Industrial plants are owned by the state; agriculture, after collectivization and after the establish-

¹ Schumpeter, Joseph A., *The Theory of Economic Development*, first edition in German, 1911 (Cambridge 1934) pp. 223, 228.

² Clark, John Maurice, *Strategic Factors in Business Cycles* (New York 1934) pp. 169-64.

ment of the machine and tractor stations, is dominated by the state; transportation and distribution of commodities, the fixation of prices, finally the whole banking system, are also in the hands of the state. How it is tried to make such a huge centralized machine workable by different methods of decentralization, and how even with this modification it can work at all in a vast country of 170 million inhabitants, are problems that do not immediately concern us. Quite clearly the machine does not function without all the drawbacks and deadlocks which became so well known in other countries too during the World War by the then so-called war-socialism. This towering machine groans and creaks. The Soviet leaders admit this frankly, and they constantly complain of armchair bureaucracy, of the lack of personal responsibility, of painful inadequacies and terrible wastes. The machine does not function by itself; in the end it is driven by all the means of power of a dictatorial regime, by persuasion and propaganda, by threats and compulsion.

But for our problem of the business cycle this concentration of all economic aspirations and decisions in a central state-brain is decisive. Not only because under such conditions it is so much easier to get rid of an existing oversupply of labor, an existing unemployment, by simply distributing it equally, shortening the hours of labor; but for a much more essential reason: this centralization of ownership and control eliminates to a decisive degree those individual actions and reactions discussed above. Therefore an unsatisfied demand for certain commodities, or the mere expectation of a growing demand, does not lead to the expansion of the plants for its production, ending in overexpansion and overproduction. The central state-brain decides where capital is to be invested and how much; and if the unsatisfied demand proves to be too urgent it may proceed to the introduction of bread-cards or to public provision for employees in the big plants; in general the public has to be content with the amount of goods available and must restrict the demand if the supply is not sufficient. On the other hand, if the state has erroneously overexpanded certain

branches of production, the result is not sharpened competition, with dismissal of workers, bankruptcies and subsequent far-reaching disturbances in other fields. The state may simply keep some of the superfluous plants out of production; they represent a wrong investment of capital, resulting in damage to the community but in no more than this, just as if a big power plant were built without having provided for the finished goods factories consuming its current. The wave-like changes in the demand for capital goods and the resultant changes in the output of the capital goods producing industries—one of the most characteristic phenomena of the cycle—can thus be avoided.

Another cyclical disturbance can also be avoided—the cyclical movements of prices. In this field too there are other difficulties in the Soviet Union: the lack of a truly responsive accounting system, miscalculation of the costs of production, errors in the relation of the different prices imposed by the state. But here again the expectations of the individual man, the changes in his hopes and fears, are prevented from working in the way that is usual in private economy. There can be no buyers' strike waiting for a breakdown of the price level, no accumulation of great stocks by those expecting higher prices to develop. This is not only evident in industry, where the producers of raw materials and half finished goods and their customers, the producers of finished commodities, are both owned or dominated by the state, but it is also evident now in agriculture. What happened during the fierce struggle over collectivization, the slaughtering of the livestock and the severe reductions of the crops, was actually the last economic reaction of the individual peasantry. Now such individual responses of individual peasants are made impossible by the transformation of the great majority of the individual peasants into workers in the agricultural factory, dominated by the state, paid, like the workers in manufacturing industries, by piece-time wages, each owning only a small piece of land and a few heads of cattle and poultry for his own needs. Finally the ultimate consumer, the last link in the chain, has even less opportunity for inducing cycli-

cal movements of prices. His real income allows him neither hoarding nor temporary abstinence; in different forms it too is dominated by the state. For profits (and rents from land) are not privately earned; they are derived from collective property and flow back into it. Nor are wages susceptible to cyclical changes. Their real purchasing power is another part of the system by which the state determines the distribution of the national dividend and the ways in which it is to be used for consumption on the one hand and for collective investments on the other. Prices as a method of veiled taxation fixed by the state, regular taxes imposed by the state and loans issued by the state (as ultimately the only opportunity for the use of private savings) — these are the means by which the state brings under its command the amount of money capital necessary for the fulfilment of its politically determined purposes. And if all this does not suffice, if the plan was wrong in its calculations, then the state may use also the device of inflationary credit expansion, not for the benefit of private debtors and of private owners of material properties, but for a means of additional taxation on the entire population until it finds its way back to normal.

This leads to a further point, equally decisive for the problem of the business cycle in the Soviet Union. In its economy the state is practically the only producer and the only consumer of credit. And that means again the absence of the cyclical disturbances emerging in an economy of private capitalism from the cyclical expansions and contractions of private credit. There is no private extension of increased credit for intensified private business activity, inducing the upswing, and no private "deflation" by the repayment of private debts, by the accumulation of idle deposits in the banks, characterizing the depression; these cyclical waves are avoided, as are also the non-cyclical troubles in the banking system — the sudden withdrawal of private deposits from the banks, the sudden termination of credit by the banks, the panic. This is obviously much more than control of credit, widely discussed nowadays as a means of preventing or at least smoothing the busi-

ness cycle in capitalist economies. For such a control of credit (as it has been exercised to a certain degree for a long time by the central banks and their discount rates, their open market policies and other devices) must operate amidst the "hopes, fears and mistakes in the business world"; it is always confronted with the question of the practicability of its measures—not only in times of upswing, when all its efforts may be overruled by a common mood of boom, but much more so in times of depression, when the greatest readiness to extend credit must split on the rocks unless it is answered by a corresponding readiness on the part of private business men to take credit. In such circumstances the proposal of public spending by credit expansion as a means of filling the gap is the logical consequence. At all events, these difficulties do not exist in the Soviet Union. The monetary theory of the business cycle must lead there also to a negative result.

With this is connected another, and final, point: the absence of speculation, with all its aggravating influences on the business cycle. There is no speculation in securities in the Soviet Union, because there are no securities aside from the public loans. There is no speculation in commodities, because private individuals have neither commodities to sell nor money or credit to buy them. And with this are eliminated the general far-reaching effects of price variations on the exchanges, as are also profits and losses by speculation with their subsequent influences. In the Soviet Union a "speculator" is the petty merchant who in spite of all restrictions tries once in a while to bargain. And he is regarded as a public enemy and persecuted accordingly.

It is hardly necessary to add that this discussion attempts no judgment on the efficiency of the Soviet system as compared with capitalism, on the respective productivity of one giant central brain and the millions of different individual brains. The *faux frais* of capitalism are palpable enough, but so also are its immense achievements. The Soviet system has not yet been put to the real test. It still is in the period of construction. And this period is marked by an exciting mixture of failure and success, of fanatic

hopes for a millennium in the future and terrible hardships in the present. Furthermore, the differences we have discussed obviously do not exclude long waves of development in the Soviet Union too, long run alternations of good times and bad times, there as everywhere. Changing crop returns, with their significance for the real national income, so much more decisive in a country that is still so predominantly agricultural; changing techniques of production and communication with the invention of new methods or new materials; changes in international economic conditions and relations, reflected also in the domestic situation; changes in the size and structure of the population; political decisions about the tempo and the direction of capital investments; political developments in general in a system where politics and all economic activities are so closely interwoven that they cannot be separated—all these long run influences (quite aside from the eventuality of a war) will produce fluctuations in the Soviet Union too. Even human impulses, human actions and reactions, human inclinations and aversions are not entirely excluded. They cannot be, as long as there are human beings at all. And the whole immense apparatus of the Soviet economic system must always be vigilant, must always be adapted anew to new situations—which will very often be possible only with severe losses and painful disturbances. These then belong to the costs of the system.

But cyclical fluctuations, the essential characteristics of the business cycle, are not to be found in the Soviet system. And analysis of this phenomenon leads to the conclusion that the Soviet Union will continue to avoid the business cycle as long as the system itself is sustained in its present form and strength.

IV

The Price to be Paid

This result is by no means astonishing. The long sequence of economists engaged in the problem of the business cycle has never ceased to maintain that it is an ingredient of capitalism. And

all the critics of capitalism—those longing for a way back to pre-capitalist social institutions, those wanting to pass beyond capitalism to some form of socialism, or the manifold advocates of social reform—all of them agree in regarding the business cycle with its periodical waves of unemployment as a component part of capitalism. The business cycle did not exist in the pre-capitalist society of the middle ages; it is a phenomenon of not more than the last hundred years.¹ There is no miracle in the fact that it is not to be found in a society no longer based on private capitalism.

But there is a change in the feeling about this phenomenon. In Europe the early stages of the development of capitalism, until the seventies of the nineteenth century, were filled with rebellion, with a fighting mood against capitalism and predictions of its early end. This turned into a much calmer, much more pacifistic mood which lasted throughout the decades preceding the World War. And the reason for this was similar to the one which prevented any kind of European radicalism from being imported into America in that period. People were recognizing not only the strength of capitalism but also its accomplishments, in spite of all its drawbacks. They saw rising standards of living, even with a growing population. They envisaged opportunities and learned the ways to political, social and economic improvements. They understood that the business cycle can be mitigated by intelligent economic policy (just as it can be sharpened by an imprudent one) and that it was softening by itself in course of time. Nowadays the attitude toward capitalism has changed again. The pressure of the present crisis has taught millions of people to consider security and stability as the overwhelming need of mankind. Millions, not only in Europe but now also, although in a less degree, in the United States, are becoming increasingly inclined to put an end to a social-political system that they regard as denying them this ardently desired security and stability. That "the current depression, the duration and severity of which have

¹ Spiethoff, Arthur, "Krisen" in *Handwörterbuch der Staatswissenschaften*.

gone so far beyond usual experience and expectation . . . is, after all, more than a mere business cycle," as J. M. Clark¹ very rightly states, that it is the combination of a business cycle with devastating non-cyclical causes, resulting mainly from the World War, allegedly terminated eighteen years ago—this is not considered. The argument, as it always must, runs simply enough: security and stability are lacking in the present system; but we want to have them; therefore let us turn to another system, to Bolshevism, where no business cycle and no unemployment is to be found—or to fascism, which at least claims to be a new social system.

Thus the absence of the business cycle in the Soviet Union is much more than a mere subject for theoretical economic analysis. It may become a political issue. And therefore it cannot be dealt with adequately as an isolated problem but must be considered in combination with all its implications. Briefly, security, if understood as liberation from the cyclical waves of unemployment, is attained in the Soviet Union by doing away with liberty, by subjecting to dictatorial domination the whole life of man, his thinking, his will, his activities. This is the price to be paid. Liberty means risk. One cannot have security and liberty at the same time, just as one cannot simultaneously have liberty and economic equality, but only liberty and justice. The future depends on what people will prefer: adventurous pioneering in the responsibility of freedom, with all its opportunities and all its risks, or herding together in tame security. The choice would be easier if opportunities and risks were the same for everyone. They are not. But a lot can be done to make insecurity less destructive and to reemphasize the value of freedom in the feeling of men. But it calls for will and courage and action.

¹ *Op. cit.*, pp. 116, 166.

MILITARISM IN THE EIGHTEENTH CENTURY

BY HANS SPEIER

SOCIAL structures in which political power and social esteem are distributed in favor of the military class may be taken as the most general type of militarism.¹ In this very broad sense militarism has been frequent in societies with a differentiation of military and non-military functions and with a coordinated set-up of social classes. For a more specific understanding of the different historical types of militarism it is necessary to analyze militaristic social structures with reference to both the particular organization of political power and the extent to which the evaluations inherent in the social esteem of the military class are shared by other classes. Such analysis will show that what may be called the most extreme form of militarism exists when the distribution of power and esteem assumes the form of centralization of control, an attendant state monopoly of raising, controlling and equipping armies, and a universality of military mores. Societies which have not these characteristics are not wholly militaristic, regardless of the frequency with which they resort to war. Without these systematic distinctions militarism becomes, as in Spencer's use, a conglomerate term, equally applicable to primitive tribes of warriors, to feudalism and to the regime of the absolute state.

In feudalism power and esteem were distributed in favor of the military class but the other salient features of militarism in its more specific meaning were lacking. The military estate was socially superior to the other strata and more powerful. Yet these strata were expected to respect rather than to participate in the

¹ I use the term militarism not merely to represent a philosophy or a bellicose foreign policy but to signify an interdependent social system. This usage, the justification of which I shall reserve for another occasion, may be roughly compared with the sociological conception of feudalism or industrialism.

honor of the military estate. Nor did they attempt anything else. They had social functions, corresponding codes of honor and social images of their own; as a rule they did not emulate the nobles. The social structure was thus pluralistic. It lacked centralization and uniformity. Its absence of centralization was evident in the military domain in the self-equipment of the fighter and the prevalence of individual combat in battle. Its lack of uniformity in activities and patterns of behavior was reflected in the variety of coordinated but not rival mores.

Even farther removed from extreme militarism are societies with religious or racial control of social differentiation. In caste systems, for example, any encroachment of non-military castes upon the activities and conduct of the military caste assumes the character of religious offense. For this reason where caste systems have come in contact with scientific civilization the establishment of modern armies has encountered the same obstacles as the establishment of capitalistic enterprises. The rationalistic principles of military or economic organization, based upon impersonal discipline which increases efficiency, are incompatible with any social system of this kind. A Brahman who conforms to the prescriptions of his caste cannot enter a modern army, as he might become the subordinate of someone of inferior status. Conversely, the rise of the Sikhs in India toward the end of the eighteenth century was partly a consequence of the fact that many of the Sikh leaders, being of low status, were prevented from becoming leaders in the hierarchy of caste. An efficient national army can exist only in a society which is not divided by differences of race, kinship, religion, caste or social estate. For extreme militarism to exist these differences must be absent or culturally irrelevant, so that they do not preclude universal acquiescence in rational discipline and uniformity of mores.

What we have called the extreme form of militarism is evident in modern society. It originated in the French Revolution, with the moral participation of the masses in politics and war, and is being brought to perfection in contemporary dictatorships

under which every civilian, whether or not a potential soldier, is urged to discard non-military patterns of behavior and thought. It is integrally related to bourgeois civilization, and thus represents a new type of militaristic society.

Modern militarism depends in many ways upon the political heritage of the absolute state—a bureaucratic and centralized organization of political power and a bureaucratic organization of a disciplined army. In order to build up these institutions absolutism had to destroy the forces in its own inheritance from feudalism which stood in the way of this development.

The complex endeavors of the absolute state to disintegrate feudal liberties and to achieve control of the armed forces fill several centuries. It was necessary to transform the armies from private enterprises of speculators and military entrepreneurs into public organizations financed, controlled and equipped by the state and commanded by a reliable nobility. Imperative in this development was the establishment of a central administration. At first it lacked a legal basis, since the content and extent of its functions were determined not by law but by monarchical order and confined to the persons to whom the commissions were given. These extraordinary functionaries, the nucleus of modern bureaucracy, were appointed in contrast to and in conflict with the old legal administration. Thus their origin was revolutionary, their task primarily military and financial in character, their purpose the destruction of liberties in the interest of centralization. The contrast between the ordinary legal administration ("office") and the extraordinary new one ("commission") was typical of absolutism in general. It existed not only in France but also in Spain, Sweden, Prussia and other states, with the important exception of England, which was fortunate enough to have her militaristic experience early, at a time when officers held prayer-meetings and Cromwell could address his parliament only as "My Lords and Gentlemen."

The most important contribution of the absolute state to modern militarism was its rationalization of political life. To ac-

complish this it was necessary to break the power of the independent nobles and to transform them into a hierarchy of officers, with the monarch as its peak. Richelieu did not hesitate to have the first representatives of the obstinate nobility beheaded by a royal executioner in a public square in Paris. Even in the eighteenth century superiority in social status still impeded military subordination among officers.¹ Prussian noblemen were far from pleased at becoming officers of the king. Not a few of them, in order to escape service, tried to prove that they were not Prussian, and the *règlement* of 1726 obliged the officers to obey their superiors only if their honor was not violated by discipline.

In order to discipline the rank and file the state had to take upon itself, among other tasks, the centralized equipment of its armies with food. Only by this device could it succeed both in restricting pillage and devastation of the country and in imposing a check upon desertion, from which armies of the *ancien régime* suffered hardly less than from actual loss of men in battle. In France the beginnings of the famous magazine system can be found even in the time of Henry IV; it rose to eminence under Louvois and was soon adopted by other countries. Grain and flour were stored in magazines to be used for supplying the troops in war and, if need be, for regulating prices in times of peace. These magazines were indispensable in the "armament for war."²

Before the establishment of the military magazine system many European countries had provided for the collective storage of grain. The storehouses were operated by communities, parishes, local associations of farmers or the like, but they did not suffice to prevent either famine or considerable waste of parts of the crop in years of abundance. The most efficient storehouses of this cooperative type existed in Amsterdam, the center of the grain trade in the *ancien régime*. Dutch economists of the seventeenth and eighteenth centuries, who were related to the rich

¹ Carré, Henri, *La Noblesse de France et l'Opinion Publique au XVIII^e Siècle* (Paris 1920) p. 168. The case occurred in 1746.

² *Acta Borussica, Getreidehandelspolitik*, vol. 3, p. 183, and vol. 4, p. 51.

merchants of the trading city, approved of them for the reason that they helped to maintain social stability.¹ The merchants did not need to fear hunger revolts of the poor urban workers; when prices rose they opened the storehouses. It should be noted that the objective of maintaining social peace in a highly stratified urban community in times of emergency is comparable to the objective of disciplining an army. German writers at the beginning of the eighteenth century referred to the Dutch experience when they proposed the establishment of magazines for the poor. They did not succeed, however; state magazines were erected in Prussia only when the increasing army demanded them — under Frederick William I and Frederick the Great. This development was typical of economic policy in general during the seventeenth and eighteenth centuries; economic policy was dictated by military considerations and, until the middle of the eighteenth century, this was true even of England.

From 1748 on the Prussian king distinguished between "war magazines" and "land magazines," the former filled preferably with flour ready for use, the latter mostly with grain. The distinction was not quite tenable, however, since the land magazines too were under the control of the military administration, and the stores of the war magazines were used when prices went up in times of peace not only for soldiers but also for the poorer classes of the population. The location of the war magazines was determined by strategic considerations. In Prussia they lay at the important water communications. Much of the food supply of the armies had to be bought from foreign markets. Dutch merchants provided Louis XIV's armies with grain for the conquest of Flanders,² and of the grain which the Prussian state purchased for its magazines from 1764 to 1788 only one third was obtained in Prussia, most of the foreign purchases being made in Poland, where grain was cheap.³

¹ *Ibid.*, vol. 1, p. 435.

² Cf. Sombart, Werner, *Krieg und Kapitalismus* (Munich and Leipzig 1913) p. 141.

³ Cf. *Acta Borussica, Getreidehandelspolitik*, vol. 4, pp. 100 ff.

The economic significance of these storehouses and the opportunities they afforded for corruption may be realized from the fact that in the middle of the eighteenth century, when Prussia had about five million inhabitants, the magazines could provide an army of 100,000 men with food for a year and a half. Toward the end of his reign, in 1784, Frederick the Great had collected grain for three campaigns and money for three more lay ready in the public treasury. Thus war could be waged for six years without increasing the taxes.

Eighteenth century militarism thus bears a resemblance to modern militarism: it was bureaucratic and centralized and subordinated national economy to military considerations. Any attempt, however, to understand militarism as a social order cannot fail to realize the decisive difference between absolutistic and post-absolutistic militarism. This difference lies in the fact that the bellicose absolute state, in contrast to the modern state, kept its armed forces outside of productive society. There was a clear distinction between military and non-military activities, a distinction which was closely related to the social stratification of society.

The Social Composition of the Armies

The most obvious evidence of this separation is the social composition of the armies. The corps of officers consisted of noblemen, the rank and file was recruited from the dregs of the people. Both classes were exempt from productive activities, while conversely the middle classes were prevented from participating in war and military action. La Rochefoucauld had said, "L'air bourgeois se perd quelquefois à l'armée; mais il ne se perd pas à la cour."¹ Yet even in his time there were not many bourgeois in

¹This famous maxim was much discussed in the eighteenth century. Cf. Garve, Christian, "Über die Maxime Rochefoucaulds: das bürgerliche Air verliert sich zuweilen bei der Armee, niemals am Hofe" in *Versuche über verschiedene Gegenstände aus der Moral, der Literatur und dem gesellschaftlichen Leben* (Breslau 1801) pt. 1, pp. 263-402; and Addison and Steele, *Spectator*, Everyman's Library, vol. 8, pp. 39-40. Notice the characteristic difference in interpretation.

the army. During the Seven Years War the sons of the French bourgeoisie had again been allowed to purchase commissions in the army, but this practice was invalidated in 1781 by the notorious reforms of the Comte de Ségur. He restored the prerogatives of the poorer nobility of the sword at the expense of both the nobility of the robe and the *nouveaux riches*. Public opinion, governed by the *philosophes*, bitterly resented this measure which evaluated birth more highly than merit. It did not realize that the decree was to give to the poorer ranks of the nobility of the sword a compensation for their being barred from all profitable occupations in the productive sector of society.

At the end of the *ancien régime* the French corps of officers belonged to various groups, and because of the different economic and social positions of its members was far from being solidary: great nobles and aristocrats who were presentable to the king; country noblemen with the required number of proper ancestors but without the fortune requisite for acceptance at court; officers of bourgeois origin who had purchased commissions before the decree of 1781; finally the limited number of soldiers of fortune. The common officers could hardly rise above the rank of lieutenant, since the noblemen of superior social status were privileged as to both pay and promotion.

The columns were filled with men who lived outside productive society, that is, below it. They were recruited either from abroad or from the economically useless population within France. Enlistment in the regular army as distinguished from the militarily insignificant militia was "voluntary." The recruiting officers, however, were called "sellers of human flesh," a designation which indicates the desperate kind of freedom that made people enlist. The Comte de Saint Germain, who became war minister in 1775 and succeeded in doubling the army without increase in cost wrote in his memoirs: "It would undoubtedly be desirable if we could create an army of dependable and specially selected men of the best type. But in order to make an army we must not destroy the nation; it would be destruction to a

nation if it were deprived of its best elements. As things are, the army must inevitably consist of the scum of the people and of all those for whom society has no use."¹ Frederick the Great expressed himself to much the same effect in his *Anti-Machiavelli*.

In England the army was much smaller. The social composition of its rank and file, however, was the same. Recruits were drawn from the scum of the earth. The practices of the English press gangs paralleled those of the continental recruiting agents. Kidnapping was customary. Insolvent debtors and criminals under sentence could escape punishment if they enlisted in the army. These devices were surpassed only by the habit of a Hessian Landgraf, an opponent of capital punishment, who was accustomed to send to his regiment criminals under sentence of death; there they were gladly put into the ranks, their chains replaced by arms. The British navy too was supplied with men by violent means. Sailors preferred to serve in the merchant marine, which offered higher wages and paid with greater regularity; nor was the discipline so cruel and the absence from home so long as on the warships. The English had hated soldiering and despised soldiers ever since the military dictatorship under Cromwell. This attitude, coupled with the greater stake of the English ruling classes in commercial interests, accounts for the difference between France and England in regard to the social descent of officers. The patents of officers had to be purchased often through "commission brokers," and were thus controlled by the wealthy classes. Moreover since 1689 the raising and keeping of a standing army in times of peace had been against the law "unless it be with the consent of Parliament," that is, of the classes which controlled parliament. The militia, too, was under the control of the leading classes, in this case the country gentlemen. Promotion was regulated along the same lines. Even at the time of the Peninsular War impecunious officers after twenty-five years

¹ Cited by Ducros, Louis, *French Society in the Eighteenth Century*, tr. by W. de Geijer (London 1926) p. 294.

of service and many campaigns were not promoted whereas wealthy and socially influential officers paid off those who had a chance for promotion, or managed to exchange their positions in unhealthy or unpopular stations with ruined officers in more favorably located regiments. In a way Wellington, who rose from ensign in 1787 to lieutenant-colonel in 1793—"five steps in seven years, during which he had been moved through as many regiments"—is a notable case in point.¹

In Prussia conditions differed in correspondence with the different social structure of its agricultural economy. The peasants lived in villages around the manors, paying no rent but in return for their land rendering services to the landlord, who sold their produce at the market. The captains of the regiments preferred Prussian peasants as recruits; they were cheaper, if only because they did not desert so often as foreigners, and they could be used during the harvest on the estates of their military commanders. The so-called cantonal system, introduced in 1733, legalized this practice and at the same time rationalized it. "Since there has hitherto been so much disorder and no *égalité* among those enrolled"² special districts (*cantons*) were assigned to the regiments for recruitment and universal enrolment at an early age was prescribed for the economically dispensable classes. Thus the state claimed its subjects for military service; therefore it could not help restricting certain prerogatives of the landlords. The law was a compromise. It created something like a nationalized militia in a political structure that was undergoing a process of centralization and equalization but was still determined by the institution of agricultural servitude. It was an attempt at as comprehensive a utilization of the population for military purposes as economy could bear and the privileged estate would tolerate.

¹ Cf. Oman, C. W. C., *Wellington's Army 1809-1814* (New York and London 1912) pp. 198 ff. Nor did the Duke ever adopt the principle of promotion by merit. On the old rankers he passed harsh verdicts: "Their origin would come out, and you could never perfectly trust them" (*ibid.*, p. 206).

² From the Order of May 1, 1733, cited by Jany, Curt, *Geschichte der Koeniglich Preussischen Armee* (Berlin 1928) vol. 1, p. 692.

As has been often remarked, it foreshadowed the universal military service of the nineteenth century which postulated and eventually brought about the liberation of the peasants. The imperative demands of economy and the unequalitarian social structure, however, did not yet permit universality of service. In 1742 an instruction of Frederick the Great to the infantry reversed the proportions of foreign and national recruits. Two thirds of the whole strength was to be obtained from abroad. The important *règlement* of February 12, 1792, postulated again, it is true, the principle of universal conscription. But actually the exemptions necessary "for the prosperity of the state" were greater than ever before. They included practically all of the urban middle classes and the agrarian upper class. At the close of the century Leopold Krug, an able statistician, gave an estimate of all exceptions to the rule. He assumed a total population of about 8,700,000 persons. About 1,170,000 men were exempt because of local privileges, granted to certain towns and centers of industrial activity, about 530,000 for reasons of status, denomination, wealth or occupation—a total of 1,700,000 persons.¹ Under these conditions and in view of the fact that two fifths of Prussia was Polish provinces, to which for political reasons the cantonal system could not be applied, it was an amazing accomplishment of the state to have in the ranks of its army at the end of the century more subjects than foreigners. Yet it must be understood that this extraordinary military strength of so small a state as Prussia was possible because after their first year of service the native recruits were actual soldiers only during the two months of the great manoeuvres; for the rest of the year they were on furlough and worked as peasants. This combination of agricultural and military activities, which gave to great parts of the Prussian army the character of a militia, accounts for the relative numerical superiority of Prussia to the other military states of the *ancien régimes*.

¹ Jaehns, Max, *Geschichte der Kriegswissenschaften* (Munich and Leipzig 1891) vol. 3, pp. 2254-55.

The officers, taken as a class, were superiors of the privates also in civil life. It was the landed aristocracy which composed the corps of officers. The king considered them as vassals¹ who, unlike the civil servants of the state, were bound to him by personal ties of fealty. If a long war thinned their lines so much that militarily distinguished rankers had to be entrusted with higher commands, after the war the king at once restored the order which he deemed desirable and which was required by the social structure; officers of common birth were ruthlessly replaced. The urban middle classes were slowly becoming richer and more educated, but they had, according to the king, no *point d'honneur*. The aristocracy, on the other hand, was barred from commerce and industry. Nor could it, as in southern Germany, the Rhineland and the Hapsburgian monarchy, serve at court or in the Catholic church. To the impoverished elements of the Prussian nobility military service was thus, as in France, an economic necessity.

The Prussian officers were ordered not to mix with middle class elements, and Frederick the Great even refused to give his consent to marriages between noblemen and bourgeois ladies. In 1806 as many as 9 per cent of the Prussian officers were of middle class origin, but they were to be found almost exclusively in troops which stood in low esteem, such as the artillery or the engineering corps. Many of them were half disabled veterans, unfit for service in the field, who had been promoted with their assignment to garrison companies.

In South Germany matters were somewhat different. The percentage of middle class officers appears to have been higher than in Prussia.² The poor middle class officers whose career was

¹ As late as 1800 the king refused the resignation of a noble officer because of his obligation to serve as a vassal. Cf. Jany, *op. cit.*, vol. 3, p. 417 note.

² Bezzel, Oscar, *Geschichte der kurpfälz-bayerischen Heeres von 1778-1803* (Munich 1930) p. 176. I do not think that the difference between the Bavarian and the Prussian corps of officers was quite so great in the eighteenth century as Karl Demeter suggests in his interesting book, *Das deutsche Offizierskorps in seinen historisch-soziologischen Grundlagen* (Berlin 1930).

limited considered their occupation merely as a way of making a living, since the noble officers did not set any standards of military honor. There was hardly any comradeship between the noble and the middle class officer;¹ even hatred was not rare as many of the noble officers were "intruders" from France, Hungary and other countries. In Bavaria it was the court and not the army, luxury and the arts rather than military prowess, which set the pace of civilization and attracted those who could afford to distinguish themselves. On the other hand, the gulf between officers and civilians was, for the same reason, not so deep as in the north. They came in contact with each other and the conduct of the officers was unassuming.² Conflicts between the soldier and the civilian were confined to the lower strata. Since privates were poorly paid they had to add to their income through clandestine trade and manufacture; their officers tolerated this practice, although throughout the century the urban population complained at the unfair competition which it entailed.³

In short, the guiding principle of eighteenth century military organization was to have a strong army without injuring the productive forces of society, without destroying the nation. Economy needed to be strengthened by all means of governmental planning. Technique was still much more attached to persons than to machines, and although beggary was widespread in all of Europe the number of skilled workers was inadequate to the needs of the expanding economy. Thus governments tried to prevent their emigration and by every possible means, legal or illegal, tried to obtain workers from abroad.

The transformation of the armies into national militias, as proposed by Machiavelli, Leibniz, Spinoza, the Landgraf Moriz of Hesse and, in the eighteenth century, by men like the Marshal

¹ Staudinger, Karl, *Geschichte des kurbayerischen Heeres 1726-1777* (Munich 1908) pp. 430 ff.; Bezzel, Oscar, *Geschichte des kurpfälzischen Heeres bis 1777* (Munich 1925) p. 469.

² Bezzel, *Geschichte des kurpfälzischen Heeres bis 1777*, cited above, pp. 477 ff.

³ *Ibid.*, p. 368.

of Saxe or Justus Möser, was for economic and political reasons unfeasible. Most of these suggestions were far from being anticipations of the system of universal conscription, as was not infrequently assumed by nineteenth century military historians. Rather they were reversions to degenerated pre-absolutistic liberties as expressed in local militias composed of free burghers or peasants. Möser, for example, clearly realized the close connection between the *esprit de fabrique* and the centralization of politics, both of which he held responsible for the enforced alienation of townsmen from military life and for the universal decline of the soldier's prestige.¹ His analysis, so suggestive also for an understanding of the high repute of soldiering in Switzerland, was sound. Yet the political structure of eighteenth century militarism no less than economic necessities demanded recruitment from the dregs of society. Enlistment of foreigners was preferable because of the incidental increase of the population which it entailed. Despite the high ratio of deserters there were foreign mercenaries who married and settled down as economically valuable craftsmen.

The Social Conditions of Warfare

The low social origin of the privates was frequently considered justification for the severe and cruel discipline in the armies of the *ancien régime*. Yet there were national differences in severity of drill which must be ascribed to other factors. In Catholic countries discipline was more liberal, less efficient and not so pitiless as in Prussia. Also, in France and in Austria, where many noblemen were subject to the civilizing influence of the court, the socially required behavior of the officer was that of the *honnête homme* who did not tolerate personal brutalities. Prussian soldiers were taught to fear their officers more than the enemy.

¹ Möser, Justus, *Gesammelte Werke*, ed. by Heinrich Schierbaum (Munich and Leipzig 1915) vol. 1, pp. 146-168. Similar ideas were expressed by Christian Garve in Germany; cf. his *Philosophische Anmerkungen und Abhandlungen zu Ciceros Büchern von den Pflichten. Anmerkungen zum ersten Bande*, 4th ed. (Breslau 1794) pp. 49-50.

The troops took on the character of machines and their efficiency caused the adoption of Prussian methods by other countries.

A contemporary of Frederick the Great attributed the preference of fire to bayonet in the Prussian infantry to the fact that the troops were "animated neither by a spirit of patriotism nor by loyalty to their prince." They were "composed of men of every nation and of every religion in Europe." It is probable that at the instant the general ordered them "to charge with the bayonet a great part of them would go over to the enemy."¹ This description is not very judicious in detail but it hits the point with which we are here concerned: the lack of middle class loyalties and of artificial emotions in the army. And this was typical of other European troops as well. It contributed to the contempt in which the soldier was held by public opinion and would alone suffice for an explanation of the wholesale desertion that the commanders had to cope with. Even of the American revolution it has been said that the combatants had so little zeal for the struggle that the British and American armies were composed of each other's deserters. Frederick the Great issued decree after decree against desertion, including orders to pay rewards to deserters who returned within six months. This method was less expensive than paying the earnest to a new recruit. The danger of desertion affected strategy and tactics. Marching during the night and camping in a forest had to be avoided. Troops which advanced in an attack were commanded to stop and to proceed after a rearrangement of the lines, as prescribed and practiced in manoeuvres. The social composition of the armies was responsible also for the preference of closed formations and the open field as battle ground. Ranged battles were still customary, and therefore the general who wished to avoid a decisive combat could almost always do so.

The limitations of eighteenth century warfare arose also from the system of political coalitions. It was in diplomatic negotia-

¹ *Observations on the Military Establishment and Discipline of His Majesty the King of Prussia*, tr. from the French by J. Johnson (London 1780) p. 96.

tions from cabinet to cabinet that the plan of a campaign was determined. The interest of belligerents to spare soldiers paid by subsidies of economically advanced allies was strong, stronger sometimes than military logic. Delegates of the court accompanied the generals, as did the later commissioners of the French Convention and the result was a restriction in the freedom of military action.

Thus the well-known indecisiveness of campaigns and the relative rareness of battles in eighteenth century warfare must not be attributed only to the strength of fortresses, to the poor roads which hindered rapid movements and to the "increased humanity" which "helped to increase the dependence of armies upon magazines."¹ These specific conditions which made for the predominance of the defensive in war and refined the art of manoeuvring must be understood in the light of the general social, political and economic forces of the time. All forms of warfare and militarism reveal this functional dependence upon the social structure as a whole.

All these social, economic and political forces operating in the interdependent cultural structure brought about a type of war which was completely the product of the period. In many countries the military elite was hardly less penetrated by the ideas of rationalism than were the philosophers. War seemed to offer chiefly mechanical and calculable problems. Topography appeared as the basic element of warfare. The predominance of the defensive to the offensive seemed to testify to the superiority of reason to the unformed passions, of human faculties to nature. The emotional and intellectual resources of the rank and file were not exploited as in the nineteenth century; they were neglected and despised.

There were military writers who derived from this increasing rationality of war the prediction of its end. If war is reducible to scientific elements and if the function of reason is all comprehensive it does not indeed seem paradoxical that the Prince of

¹ Hart, Liddell, *The Ghost of Napoleon* (New Haven 1934) p. 23.

Ligne suggested the establishment of an "international academy of military science" (1780). A German writer who analyzed the new spirit of the "system of war" arrived at the conclusion that with the irresistible advancement of reason, witnessed and celebrated in so many other domains of modern civilization, military science will put an end to war. "If the true principles of this science were equally known everywhere, one could soon renounce war as futile, since the armies trained and commanded with equal skill could not gain from each other and thus the inexpediency of war would induce an uninterrupted peace which probably will not so soon result from the benevolent opinions of the men of our earth."¹ Behrenhorst, the important German critic of eighteenth century warfare, was also inclined to believe in eternal peace. No book, said a contemporary, was so much read as Behrenhorst's *Considerations of the Art of War* (1797), in which the "science of strangling according to rules" was denounced in a Voltairian manner.

The attitudes of the strategists who preferred the mechanical, precise and rational in the art of war to its imponderable and chaotic chances were later, in the nineteenth century, much despised and derided. Yet the hesitation to call upon the forces of nature, sentiment and unrestricted violence did not indicate merely a lack of imagination. In the eighteenth century the leading classes did not share the sentimental and enthusiastic attitudes toward nature which spread in the nineteenth century under the influence of Rousseauists and romantics. Their rationalism was a cultural trait to be found in conversation and art, in parks and music as well as in warfare. A new nature was discovered by those who were eager to substitute for the "artificial forms" and "mechanical forces" of rigid and limited eighteenth century warfare the "moral" participation of masses in war: that is, by the prophets and apostles of the *bürgerliche Krieg*, the "citizens' war," by philosophers like Guibert in France and Clause-

¹ Von Bülow, Heinrich Dietrich, *Geist des neuen Kriegssystems* (1799), cited by Rothfels, Hans, *Carl von Clausewitz* (Berlin 1920) p. 49.

witz in Germany.¹ They and the political forces which they expressed promoted militarism in its modern form, the first great exponent of which was Napoleon.

Society Versus the State

The social structure of the armies and the corresponding political system of the *ancien régime* must again be taken into account in order to understand the relations between civilians and soldiers, the attitudes of society toward the state. Society was connected with the state primarily by taxes. Expenditures for war purposes were exceedingly high; soldiers had to be fed, clothed, armed, paid and administered by the state. In Necker's budget for 1784 the expenditure for military purposes amounted to about two thirds of the total budget. Prussia spent 86 per cent of its budget in 1739-40 for this purpose, 76 per cent in the last three years of Frederick the Great's regime, 71 per cent in 1797-98 and 75 per cent in 1805-06. If we include the service for military debts England in 1781 used for military purposes no less than 94 per cent of all her expenditures.² In so far as these sums could not be obtained from rich countries as subsidies they had to be raised by means of loans and taxation. Thus the gap between the state and society was systematically entrenched by the conflict between creditor and debtor. Yet it should be noted that the tax burden pressed less on the classes which were decisive for the formation of a critical opinion concerning the military state than on the peasants. The percentage of the urban population was small and only its upper strata were effective in an explicit formation of attitudes toward the military system. This elite consisted by no means exclusively of bourgeois. In France, which is most interest-

¹ Cf. the highly interesting letter of Clausewitz to Fichte, in which the term "der bürgerliche Krieg" appears; reprinted as appendix to "Machiavell," pp. 59 ff. in Fichte's *Staatsphilosophische Schriften*, ed. by H. Schulz and R. Strecker (Leipzig 1919). Guibert's *Essay Général de Tactique* appeared in 1770. Some passages from it are easily accessible in English in Spencer Wilkinson's *The French Army before Napoleon* (Oxford 1915). For a convenient summary of Napoleonic tendencies in warfare before Napoleon cf. Liddell Hart, *op. cit.*

² Figures from Sombart, Werner, *op. cit.*, pp. 51-60.

ing for an analysis of the relations between society and state, it included many aristocrats. When we speak of public opinion, which as Necker put it in 1784 had become a king without visible attributes, dictating alike to town and court and even in the palace of kings, we must bear in mind that the public of this time was small and not without aristocratic traits.¹ It consisted primarily not of economically interested groups but rather of persons who assumed philosophical responsibilities.

The attitude toward the soldier was one of open contempt. In France a military career for anyone but a nobleman was considered degrading. Up to the revolution one could read on many public buildings or garden walls, "No dogs, servants or soldiers allowed."² Fortescue says of England, "There was no idea in those days of making a hero of the soldier, not even for a day. When he had served his purpose he was cast aside and went back to his status of a plague of the nation."³ As to Prussia, it sheds full light on both the army and the backward development of public opinion in that country that a cabinet order was issued in 1780 according to which "unauthorized writing" and mutinous activities were to be punished by military service in case the convict could not prove that he was able to earn his living honestly. In 1787 this regulation, which affords a fair illustration of the disgrace in which the soldier was held even by the state, was extended to those who had taken part in crimes against the authorities by advice, encouragement, pernicious insinuations and the like.

European economists, moralists and publicists vied with one another in denouncing the profession of the soldier. Physiocrats proved that he was unproductive, political philosophers that he

¹ For a splendid account of how far the system of European politics was penetrated by the ideas of enlightenment in the last thirty years of peace before the French Revolution cf. Ph. Sagnac, "La rénovation politique de l'Europe au XVIII^e siècle" in *Mélanges d'histoire offerts à Henri Pirenne* (Brussels 1926) vol. 2.

² Ducros, Louis, *op. cit.*, p. 294.

³ Johnson's *England*, ed. by A. S. Turberville (Oxford 1933) vol. 1, p. 81.

was a mere instrument of dynastic ambitions and despotism, moralists that he was barbaric. Fichte held that soldiers, forming a state within the state, were "almost as dreadful as Jews."¹ A whole literature arose against standing armies.² Wars, it was said and repeated, were unreasonably expensive; they increased prices and taxes, retarded economic progress and pressed upon the poor. The argument that wars ruin both victor and vanquished was very familiar to the time. If it be true, wrote Herder, that the system of military conquest is the unshakable foundation of Europe, what else could one say than that Europe declines for the benefit of the world. The opponents of war counted the most distinguished minds in their midst: Hume in England, Voltaire in France, Kant in Prussia. Pamphlets and magazines disseminated the ideas in a ruder form.

The opposition to war was most effectively buttressed by the theory of progress, according to which the development of commerce and trade meant civilization and peace, whereas war, characteristic of the earlier, less enlightened and more prejudiced stages of human development, had now become an atavism. This idea of progress found possibly its most naive presentation in the book of a Swiss writer whose optimism knew no bounds. A decline of Europe, he suggested, need not be feared since art, science and gentle convictions have been too well entrenched by the art of printing.³

It has already been mentioned that even military writers contemplated the end of war in the course of human development.

¹ Fichte, "Beiträge zur Berichtigung der Urteile über die Französische Revolution (1793)," *op. cit.*, p. 116.

² For a comprehensive survey of the writers and the arguments which they used cf. Lehmann, Max, *Scharnhorst* (Leipzig 1886) vol. 1, pp. 54-69 and 204-11. The few non-military writers who did not oppose standing armies included Adam Smith.

³ Iselin, Isaak, *Über die Geschichte der Menschheit*, new ed. (Zurich 1768) vol.

², p. 395. That the theory of progress cannot be understood simply as an ideology of the bourgeois middle classes is an important inference to be drawn from Ronald S. Crane's articles on "Anglican Apologetics and the Idea of Progress, 1699-1745," in *Modern Philology* (Feb. and May 1934).

Yet it took an anti-military writer to elaborate the idea that only the private person belongs to a permanent society whereas the ruler, living in a *non-société*, should for his safety and economic profit enter a new international society of equals. The Abbé de Saint Pierre "was indeed terribly at ease in confronting the deepest and most complex problems,"¹ and his utilitarian suggestions as to how to establish permanent peace were not the ideas of the age. Yet his conspicuous aptitude for confusing political categories with economic ones was shared to varying degrees by many progressive thinkers of the period.

The conflict between society and the military state, which indicates the limitation of absolutistic militarism from the point of view of modern militarism, is most impressively reflected in a specific trait of the anti-militaristic philosophy of the period: in the critique of heroism. In comparison with the state society was unheroic in character. There were French *philosophes* who did not hesitate to declare that they were not willing to sacrifice themselves for their convictions since any need for sacrifice merely proved that unfortunately their ideas still lacked recognition. Meanwhile they busied themselves in collecting evidence of the fragility of heroism, with the intention of disintegrating the moral basis of war and of undermining the philosophy of those, that is the privileged nobility, who had a chance to distinguish themselves in war through courage. This anti-heroism is conspicuous in all kinds of literary activity, in the writing of history as well as in philosophy, in weeklies and in novels;² the heroes and heroines of fiction were rather unheroic characters. Historians minimized the function of the conqueror in history. Pope in his *Essay on Man* spoke of the boring similarity of all conquerors from Alexander on; all of them, he said, have been "badly mad."³

¹ Bury, J. B., *The Idea of Progress*, Amer. ed. (New York 1932) p. 140.

² Also in art; cf. Wind, Edgar, "Humanitätsidee und heroisiertes Porträt in der englischen Kultur des achtzehnten Jahrhunderts" in *Vorträge der Bibliothek Warburg 1930-31* (Leipzig and Berlin 1932) pp. 156-229.

³ Cf. also Sir William Temple's essay "Of Heroic Virtue" in the *Works*, new ed. (London 1814) vol. 3, pp. 313-405.

Hume held that most of mankind considers heroism "the most sublime kind of merit," yet "men of cool reflection are not so sanguine in their praises of it." They notice that there are infinite "confusions and disorders" caused by this "supposed virtue." Military glory is followed by "the subversion of empires, the devastation of provinces, the sack of cities."¹ Also Herder in his *Briefe zur Beförderung der Humanität* called the heroic spirit the "destroying angel of mankind," and he pleaded to withdraw from it the glory which it had received and the esteem in which it had been held since the ancients.² In an attempt to evaluate the comparative merit of the conqueror, the soldier, the saint, the "great man," the writer, the artist, Thomas Abbt expressed only a common opinion when he said that the hero who is nothing but a hero is not worth anything. If he had "virtues" Abbt was willing to pity him because of the consequences of his heroism and was even generous enough to admire his "unheroic" qualities.³

These critical attitudes must be understood as special aspects of a general process in which the social images of the privileged classes were being transformed in accordance with the new moral convictions that were developing in the urban public. In England, which was economically most advanced, the ideal of the gentleman was democratized in favor of the business classes climbing to respectability. Periodicals corroborated and diffused the opinion that "men should be esteemed according to the wealth they bring their country, and trade be accounted of all professions the most honorable."⁴ In France the interpretation of the *honnête homme* underwent similar changes, although the innovations were not so stolidly practical. Colbert, referring to the urban and commercial spirit of the Italian and English nobilities, had already criticized the notion, detrimental to economic progress, that aristocrats must not engage in trade and industry.

¹ Hume, David, *A Treatise on Human Nature*, Everymans library, vol. 2, p. 294.

² Cf. the 64th letter.

³ Abbt, Thomas, *Vom Verdienste*, 4th ed. (Berlin and Stettin 1790) p. 224.

⁴ Botsford, Jay Barrett, *English Society in the Eighteenth Century* (New York 1924) p. 180.

In the eighteenth century this attitude increased in strength and turned against the state.¹

With the rise of a literary public which included the upper strata of the middle classes, especially their women, the man of letters began to form a secular profession. He gained social distinction and economic independence, since he could live on the anonymous collective public, whereas formerly the writers depended on rents or the financial support of a patron, and did not produce ideas in order to make a living. Even in Germany the number of writers doubled within the last thirty years of the century, and a contemporary publicist declared that reading had become a need of the German public which could doubtless be put in the same class with the need of food. Most of what the public read did not precisely strengthen military mores. In this limited form of militarism it was society which conducted the propaganda, not the state. The intellectuals were not all radical, and even in France, where more of them were so disposed, they adopted many traits of the aristocratic tradition.² Yet they certainly did not represent a military social type. They developed a dignity based on reason, wit and literary merit rather than on birthright or courage. "A man of letters," wrote d'Alembert, "forced by singular circumstances to spend his days near a minister of state, said one day, with much truth and delicacy, 'he would be familiar with me, but I push him from me with respect.'"³ The quotation indicates how with the assertion of the potentially equalitarian principles of intelligence and reason as

¹ Cf. the interesting account of the eighteenth century discussion on the "question de la noblesse commerçante" in Carré, Henri, *op. cit.*, pp. 135-53.

² For the conception of the *philosophe* cf. Hans Schommodau, *Der psychologische Wortschatz in Frankreich in der zweiten Hälfte des 18. Jahrhunderts* (Leipzig 1933).

³ Cf. his "Essay upon the Alliance betwixt Learned Men and the Great" in *Miscellaneous Papers in Literature, History and Philosophy*, Eng. tr. (London 1764) p. 150. This essay is very important for an understanding of the aristocratic background of modern intellectual pragmatism; cf. for example: "A philosopher should know how to manage and not how to influence the prejudices of a nation" (p. 149).

new bases of social esteem the technique of expressing the old deferences was reversed in its meaning. Minor evidence of these equalitarian implications in the new attitude is the fact that in the French plays which propagandized the new philosophy in a milder form the *philosophe* did not regularly belong to a particular social class. In these plays aristocrats and peasants, wealthy bourgeois and innkeepers appeared as *philosophes*, although in the majority of the plays they were members of the upper and lower bourgeoisie.¹ In the second half of the eighteenth century the *homme de lettres* of common origin entered the French salons, those glamorous institutions where literary fame was acquired and the seats for the French Academy distributed.

In Germany the equalitarian implications of reason, or rather the anti-despotic implications of the philosophy of enlightenment, were recognized long before they became politically effective. According to Thomasius it was due only to differences of social status that not everyone arrived at knowledge and wisdom.² At the time when Fichte expounded his ideal of the scholar as the educator of mankind, the greater part of the European public knew that mankind did not live in the state but in society, which, as every glance in the contemporary programs of progressive education reveals, was an anti-heroic society in which education was to realize the ideal of "classlessness."

The Devaluation of Courage

Since the intrinsically unheroic character of industrial society is an important factor in the understanding of militarism in its most recent forms, it may be justifiable to outline some of the arguments, varying of course according to the particular philosophical schools to which the writers belong, that were used in devaluating courage, the cardinal virtue of the hero.

¹ Cf. Wade, Ira O., "Middle Class Philosophes. Middle Class Philosophy in the Drama of the Eighteenth Century" in *Modern Philology*, vol. 26 (Nov. 1928) pp. 215-29.

² Thomasius, Christian, *Ausübung der Vernunftlehre* (Halle 1691).

The most elementary argument consisted in distinguishing between true courage and its distorted forms, with the implication that the courage of the nobleman was not the true one. The history of philosophy affords fair illustrations that this technique of devaluating the arguments of an opponent is a favored device of polemics in general, and many a fatal deadlock in contemporary political debates results from its indiscriminate application. It should be noted incidentally that inasmuch as the argument indicates a certain remnant of agreement it is not radical. In eighteenth century discussion of courage this technique was often used, especially by the Baron d'Holbach, who always took comfort in acknowledging the terminology of his opponents in order to declare that they simply did not understand "le vrai courage," "la politique véritable," "le grandeur d'une ame véritable," "l'honneur véritable" and the like.

Yet eventually Holbach did not fail to indicate what he meant by true courage: "une disposition utile, louable et vertueux si l'on désigne sous ce nom, ce courage, cette énergie, cette magnanimité, qui portent un bon citoyen à défendre et servir sa Patrie."¹ The definition is fairly typical of a popular trend of radical thought in this time. Not courage as such, it seems to suggest, but courage under the prevailing political and social conditions, courage in "despotism," lacks moral character. To be a real virtue courage thus had to be useful, an idea which led many writers to entangle themselves in the politically useful inconsistency of finally depriving courage altogether of the character of a virtue. Useful was productive society. Useless was the nobility and, broadly speaking, the state. The nobility was held to be courageous at the expense of society. It cherished notions of virtue which contradicted the rationale of society. Its uselessness, then, revealed the ultimately vicious character of its prowess.

It should be noted that this argumentation, so admirably fit for discrediting both the social prerogatives and the predominant activities of the higher nobility, presupposes the acceptance of

¹ Baron d'Holbach, *Système Social* (London 1773) vol. 1, p. 112.

economic utility as the criterion of virtue. It neglects the political aspect of social life and waives the question of personal perfection. Its reasoning is far from being self-evident. Rather it indicates an imposition of the economic principles vital to commercial and industrial society upon ethical problems, and thus it testifies to the modern reversal of the old relationship between the "utile," the "honestum" and the "summum bonum."

The confrontation of productive work and useless upper classes is as old as the contrast between the moral philosophies of Homer and Hesiod. Its history accompanies that of social inequality, with the upper classes devoted to military pursuits and contemptuously looking down upon those who labor. This history includes, during the period of European chivalry, the revolutionary figure of Dinadan who in the prose version of *Tristan* vigorously attacked the knightly conceptions of duty and fortitude. In the Renaissance it produced attempts to determine the relative status of the soldier and the jurist—from the fourteenth century on it had been debated whether those who taught or those who fought were to be superior—by analyzing their respective usefulness for the state. But not until the eighteenth century did these discussions assume a general character and come to coincide with the contrast between society and state.

One of the earliest writers who insisted that peace can be secured on the basis of a redistribution of social esteem in favor of the commercial classes was Emeric Crucé, a monk. He wrote at a time when, as he said, there was "hardly a way to acquire a modest fortune by any honest means,"¹ but he declared that "there is no occupation to compare in utility with that of the merchant who legitimately increases his resources by the expenditure of his labor and often at the peril of his life, without injuring or offending anyone: in which he is more worthy of praise than the soldier whose advancement depends upon the spoil and

¹Crucé, Emeric, *The New Cyneas or Discourse of the Occasions and Means to Establish a General Peace, and the Liberty of Commerce Throughout the Whole World* (1623), French and Eng. ed. by Thomas W. Balch (Philadelphia 1909) p. 78.

destruction of others."¹ Consequently Crucé proposed that the princes should invite "indifferently the great and the small to trade." The most interesting aspect of his ideas is the suggestion that the problem of social esteem must be considered in any attempt to plan a more peaceful society. Thus he did not think of depriving the nobility of its position of honor but proposed that more beneficial activities be substituted for the pursuits which the nobility followed at the time. He mentioned the chase; it is noble, he said, and "becoming to men at arms." He contemplated the transformation of the noble fighters into a police force which should wipe out piracy and brigandage, much to the benefit of a peaceful society engaged primarily in agriculture, commerce and the arts. Saint Pierre, who did not admit any debts to Crucé, his greater predecessor, hinted at the same point when he declared that the nobility of the sword could enjoy the same degree of honor in the new peaceful order to be established, since the gradations of offices would offer ample opportunities for distinction on the grounds of justice, goodness, talent and diligence; he added that noblemen could even count on pensions and thus acquire greater wealth, since the state would save money if it did not wage war. Crucé also anticipated the proposals made by many eighteenth century critics of the military system that soldiers be employed in useful public works like draining marshes and building canals.²

Crucé differs from many eighteenth century promoters of peace in that his writings show no idea of moral progress as a law governing history. Hence he presented no evolutionary hypothesis which would enable his successors to transform courage from a moral to a historical problem. Crucé's casual critique of courage stands rather in the Catholic tradition, which had very early, with St. Ambrose's Christianization of Cicero's ethics, succeeded in substituting for the pagan hero the image of the heroic saint

¹ *Ibid.*, p. 58.

² The first modern writer who suggested this was, according to my knowledge, Erasmus.

and which had later civilized barbaric knighthood by introducing into its moral code the ideas of justice, protection of the weak and gentleness. Crucé distinguished the "ordinary bravery which has no other foundation or support than force . . . from that magnanimity which consists in a firm courage, and disdain of all adversity. The effects of real bravery are to repel injury and not to cause it; to bear generously death and all other accidents when they present themselves and not to seek for them."¹ Here, then, courage as courage is not removed from the picture of the moral world; it is regarded from a Christian point of view.

The philosophy of progress, however, made it possible to dissolve the problem into one of circumstantial relevance. The uselessness of courage in a productive society sufficed to deprive it of its moral value. Again from Holbach: "At the origin of society man was exclusively attached to courage, because courage was then the virtue *par excellence*, that is, the most useful quality in wholly warlike nations. In modern and civilized nations which for their interest must be more peaceable, it becomes necessary to attach the idea of man to qualities which are more peaceful and more advantageous to a society whose wants have changed."²

The relativistic idea that the moral qualities of man change with time and space was indeed common to many moralists of the period. Yet only few thinkers succeeded in combining the maintenance of absolute values with a penetrating understanding of moral relativism, which was so powerfully suggested by the discrepancy between state and society, the history of manners and accounts of travelers. The writers who developed and at the same time overcame the "sociology of moral knowledge" before the name was coined include, in this period, Montesquieu, Christian Garve and Adam Ferguson.³ It was not incidental that it was they who retained their enthusiasm about the moral character of industrial society; nor did they dissolve courage as a virtue.

¹ *Ibid.*, p. 24.

² Holbach, *op. cit.*, vol. 2, p. 166; cf. also vol. 1, p. 162.

³ I shall deal with their importance with respect to modern sociology of knowledge in another connection.

Without attempting completeness two other tendencies should be mentioned in the arguments used to devalue courage. There was the possibility to explain on aesthetic grounds the undeniable admiration which courage evokes. Its ethical relevance could be more easily discarded if its aesthetic importance were admitted. Hume had already moved in this direction when he said of the hero that "there is something so dazzling in his character, the mere contemplation of it so elevates the mind" that the inclination to hate rather than to admire is at first overpowered by a more immediate sympathy.¹ Also Kant, who otherwise agreed with Hume on the detestable character of war and on its incompatibility with a commercial society, expressed the opinion that from the aesthetic point of view the superiority of the military leader to the statesman cannot be doubted.² It should be noted that this separation of the aesthetic from the moral was utterly inadequate for understanding the conduct of a leisure class, although it was effective as the basis for an invidious critique. A leisure class always tends to develop standards which combine inseparably the good and the beautiful. Prince Eugen reminded his noble officers before a battle that their only right to live consisted in their readiness to give an example, even in the greatest danger, but to do it with such grace and composure that no one could reproach them. One would inevitably be led astray who tried to separate the moral from the aesthetic in the Prince's code.³

Another, perhaps more important, attack on courage was its reduction to vanity and physical strength. The argument from usefulness meant a sociological disintegration of the metaphysical problem which courage represents. The separation of the aesthetic from the moral permitted of a more definitely rationalistic ap-

¹ Hume, *op. cit.*, vol. 2, p. 294.

² Kant, *Critique of Aesthetic Judgement*, ed. by J. M. Meredith (Oxford 1911) p. 112.

³ Cf. the remark of Erwin Panofsky (in *Idea*, Berlin and Leipzig 1924, p. 2) that a separation of the aesthetic from the theoretical and the ethical was not reached before the eighteenth century.

proach. But the argument from pride and force meant a psychological destruction of courage. It assumed its most extreme form in the writings of two physicians, Helvétius and Mandeville. They could conveniently borrow from the observations of numerous great moralists such as Gracian, La Rochefoucauld, Saint Évremond and others, whose detachment from society had enabled them to recognize the role of ambition and flattery, vanity and pride in social life. The modern cynics differed from their predecessors by the sweeping application they gave their convictions, which thus, freed from all limitations, produced nothing but brilliance in the void.

Mandeville's account of courage, contained in his *Fable of the Bees*, is especially noteworthy because it offers ideas on the propaganda of courage which supply a theory for modern practice. He drew a distinction between true valor and artificial valor. The former is based on rage, which since it results from an appropriate physical condition can be aroused by intoxicating drugs; it presupposes ignorance and vanishes with it. In modern warfare, conducted by means of strategy, this sort of courage is useless because it permits of neither advice nor discipline. Statesmen have therefore sought a psychological substitute for true valor which would not have its deficiencies but would serve the same purpose of overcoming the fear of death. Since all ethical conduct is rooted in flattery and pride this end is achieved by drawing upon the intrinsic weakness of human nature: man is persuaded that he possesses a special principle of courage apart from rage and other affections, and that a perfect performance of this artificial courage merits the highest praise. By means of this propaganda man is brought to confuse with courage his induced pride in not fearing death. His pride, carefully cultivated by proper rewards and flattery, will increase until his fear of disgrace will eventually outstrip his fear of death.

Thus Mandeville transformed the moral problem of courage into one of political and military expediency. Once courage becomes of primary concern to propagandists there is no more

suggestion that it was once called one of the two excellences of the irrational part of soul. What remains is but the shrewd hypocrisy of the propagandist and a useful but empty display of pride on the part of the brave. It has become proof and product of man's fear of disgrace; thus its origin is fabricated opinion, and instead of giving testimony to the greatness of man it proves only that he is vain and foolish.

The Devaluation of Honor

The changing interpretations of courage are corroborated by the attitudes of public opinion toward the honor of noblemen. It suffices to read the comments of Helvétius and Destutt de Tracy on Montesquieu's discussion of honor (in the fourth book of his *Esprit de lois*, dealing with the modes and functions of education under the different forms of government) in order to realize how violently the philosophers waged a fight against honor.

Montesquieu was still aware of the values of the civilization destined to pass and yet not unaware of the values of that to come. His critics were blind to the former and understood only the new society. When Montesquieu declared that under a monarchical government which has honor as its principle the actions of men are judged not as good but as beautiful, not as just but as grand, not as reasonable but as extraordinary, Helvétius replied that this describes courtiers rather than the nation. When Montesquieu declared that the education for honor blends virtue with noblesse, conduct with candor, manners with politeness, Destutt de Tracy interpreted the idea polemically as the royal concern for rendering minds light and superficial. In this connection even Voltaire spoke of Montesquieu's empty phrases which had nothing to do with what mattered: the laws. But we have neither his nor any other critic's comment on Montesquieu's third "higher rule" of honor, according to which matters not allowed by honor are more strictly prohibited if the laws do not forbid them, and likewise matters commanded by honor are more

urgently required if no law imposes them. As in the case of courage it was "nature" and the virtues of honesty, order, diligence and justice which were being proposed by society as substitutes for the rules of honor.¹

It should be noted that most of the arguments used by eighteenth century atheists and materialists in the fight against honor and courage could be conveniently derived from earlier writers, from Molinists and Jansenists, even from Jesuits. Baron d'Holbach in his verdict on courage quoted the Jansenist Nicole. In Diderot's and d'Alembert's *Encyclopédie* the individual self was proclaimed as the source of honor; Pascal had held that only Christianity, that is, not high status in the social order, confers *honnêteté*. He had also anticipated the argument on the basis of the circumstantial relativity of esteem, which rendered the hero an assassin when he crosses a border. Crucé, who foreshadowed Saint Pierre's ideas on the organization of peace, was a Catholic monk who still insisted on the cautious distinction between just and unjust war. Bossuet's Catholic denunciation of honor in his first sermon on the subject written in 1660 was repeated in the "natural light" of reason and wit in Molière's *Le misanthrope*.² This similarity of arguments in the devaluation of courage and honor is striking. It does not mean, of course, that the points of reference necessary for this devaluation were also similar or identical. The Christian writers referred to the self, that is the Christian self; its supreme value made the worldly realm of inequality and ambition appear relative and irrelevant. Eighteenth century critics of honor and courage, war and militarism, emphasized the superiority of the natural, reasonable, virtuous individual to the unnatural, irrational and unjust inequalities of the existing so-

¹ For further references concerning the devaluation of courage and honor see the bibliography under the headings "Contre le Heroïsme Guerrier" and "Contre le Point d'Honneur" in Hazard, Paul, *La crise de la Conscience Européenne*, vol. 3 (Paris 1934) pp. 120-21.

² "Même sans les lumières de la foi, la raison livrée à elle-même suffit à découvrir la vanité de cet idéal," says G. le Bidois in this connection; cf. his *L'honneur au Miroir de nos Lettres* (Paris 1921) p. 281.

cial order. Yet the conspicuous similarity of arguments remains and indicates a more profound transformation of culture during the period of absolutism than an analysis in terms of economic causation would suggest.

There are various traits of eighteenth century militarism which have not been included in this survey. One major problem, in particular, which arrests the attention of the sociologist who attempts to understand militarism as a social order, could not be taken into account within the frame of this essay—the problem of the self-esteem of the nobility. Obviously it underwent a transformation with the decline of feudal liberties and the integration of the leading class into the absolutistic regime. Voltaire realized the significance of this question when he emphasized, or rather overemphasized, the fact that because of the policy of Louis XIV birth had given way to merit as a principle of promotion in the army. He added, "The new principles of government inspired a new courage."¹ The character of this "new" heroism would have to be analyzed if an attempt were made to understand the peculiarity of eighteenth century militarism more comprehensively.

The nobility and its conception of heroism were affected not only by spiritual changes and transformations in the economic set-up of society but also by the bureaucratization of military life which, as has been indicated, accompanied the rise of absolutism to power. The court was another important influence in affecting the self-esteem of the nobility, especially in those countries where it was not a mere resort for officers, but assumed a social significance of its own. In France the court gave rise to new ideas of glory and triumph—a word introduced in the French language only in the seventeenth century. It offered new opportunities for intimate psychological observation and it laid bare the wheels of favor and failure, ambition and grandeur in the machinery of human affairs; the court was truly a socio-psychologi-

¹ Voltaire, *The Age of Louis XIV*, Everyman's Library, p. 79.

cal laboratory of the first class which left its mark of refinement even on the style of those who despised and depicted its vices.

The significance of these forces which worked upon the self-esteem of the aristocracy varies according to the specific situation in the different countries and also according to the social status of the noblemen within the aristocracy.

Summary

Thus, in short, eighteenth century militarism differs as a social order from preceding forms of militarism and also from the form we are familiar with today. It was built on an economy that did not tolerate the removal of its useful members for military purposes. The big armies were thus composed of economically exempt classes, and the rank and file were free of loyalties. To the nobility, in exchange for political submission, the state offered privileged posts in the bureaucratized army and professional careers as officers; the recruits were obtained by pressure and their discipline was buttressed by the ingenious magazine system. There was a deep cleavage between state and society. The non-military classes held militarism in contempt. Public opinion entertained expectations of lasting peace because it believed in reason, progress and commerce. Attempting to formulate anti-military attitudes, which were not strictly confined to the non-military classes, literati devaluated courage and honor, the basic elements of the aristocratic code. The methods they developed for this purpose, however, contained philosophical implications which made it difficult to redefine honor and courage in a non-martial way and to preserve the value which lies beyond the historically limited, relative, forms.

THE PROBLEM OF A SOCIOLOGY OF RELIGION

BY CARL MAYER

THE decisive problem of every sociology of religion is the a priori principle underlying the relationship between religion and society. Bergson's *Les deux Sources de la Religion et de la Morale*¹ is primarily concerned with the analysis of the philosophical question that religion presents to us. Yet interwoven in this philosophical treatment there are certain considerations which deal with the decisive sociological problem and thus may easily constitute the framework of a sociology of religion. The following discussion takes this book as its point of departure.

I

The starting point of Bergson's analysis of the relationship between religion and society is his distinction between "static" and "dynamic" religion, two fundamentally different types. Religion, Bergson holds, is not one thing. If we believe that it is one, it is only because we believe that since there is one word there must also be one thing. But what we call religion is actually a twofold phenomenon. To be sure, we can discover certain relations between the two manifestations, but these relations are very indirect and remote. They exist only in the sense in which all phenomena of life are related to one another and ultimately derived from that creative force termed *élan vital*. The phenomena as phenomena cannot be brought under the same denominator; they are distinct from one another, entities in themselves, absolutely different in origins, functions and forms.

Static religion, which is sometimes called natural religion, is according to Bergson the result of the antinomic or even tragic

¹ Paris 1932, tr. into English by Audra and Brereton under the title *The Two Sources of Morality and Religion* (New York 1935).

structure of man's existence. This structure in turn originates from the fact that man is a social creature as well as an intelligent one, a combination which makes him unique in the created world, which elevates him above all other creatures thus far produced. As to sociability, it is to be conceded that as a mere tendency it is found everywhere in nature. It is even true that it can be found in a highly developed form among the group of hymenopterous insects, such as bees and ants. But only in man has this faculty achieved its proper expression. And intelligence can be found nowhere except in man. In biological terms, sociability and intelligence are the highest forms which *élan vital*, in its creative effort to engender higher and higher forms of life, has so far been able to create. Thus these two faculties, being characteristic only of human life, are absolutely necessary if human life is to continue as such.

At the same time, however, these two faculties threaten the very existence of human life because, though they are both necessary, they are contradictory to one another. Sociability works against intelligence and intelligence against sociability. The main reason for this situation is the development of an aberrant tendency in intelligence—a tendency toward "reasoning," toward reflection and deliberation, the *vita contemplativa*. And while from the viewpoint of biological development intelligence as a whole has rendered indubitable and indispensable service to life, being man's peculiar instrument in the world of action, this new tendency within intelligence, seen again from the viewpoint of biological necessity, has provided man with a faculty of very dubious value.

In the first place, it endangers the very existence of society, for it supplies man with the ideal of liberty, that is, with the inclination toward personal independence and therefore with the permanent temptation to escape social life. In the second place, intelligence endangers the very existence of man himself, for it takes from the individual that self-assurance which all other forms of life possess and makes him doubtful and therefore powerless in the

face of natural forces and dangers. Above all, it makes him realize that he must die. Intelligence makes man capable of reflecting and therefore incapable of immediate action, opening a wide gap between aim and act. And finally, it makes him realize that there are always and everywhere contingencies in life and nature. These effects tend to depress man's spirit and thus they are vitally dangerous. The fundamental antithesis that runs through human life is that the very factors that make this life possible and unique threaten it at the same time with possible chaos and destruction. Therefore, if human life is to continue, some new force must be introduced in it to counterbalance this dangerous situation.

Thus religion makes its appearance. Although it cannot be understood, seems even absurd, from any rational point of view, religion becomes understandable and rational if put into this socio-biological context. By making man believe again, religion offsets intelligence and prevents the dangerous effects which may evolve from it. Religion does not destroy intelligence but confines it to its original sphere, that of action, of technical work, thus enabling man's two faculties to work together and restoring human life in its original possibilities. In other words, religion is the result of biological-sociological necessities; it may be defined as the defensive reaction of nature against the dangers pending in human life, which otherwise would tend to depress the individual and destroy society, and in general would threaten the very existence of human life itself.¹

Religion, thus conceived, works in various ways. Springing from that dim penumbra of instinct which, in spite of the existence of intellect, still "hovers" over human life, it produces powerful ideas which are to be explained only in terms of their biological necessity. The religious idea of tabu, for example, is an interdict of society against the egoistical temptation of the individual to escape his tasks and duties in society. The idea of gods as superior to man provides man with beings who protect certain things and forbid others. Religion produces the sense of social obligation, the

¹ See particularly pp. 112, 121, 194.

whole web of social-ethical ideas, in order to secure life as a social phenomenon. In another sphere it creates such images as the idea of the immortality of the soul or the belief in survival to counteract the conception of death; or it creates the belief in the possibility of magic, in order to defend man against the unforeseen contingencies in life and to give him confidence in powers of his own which enable him to overcome the helplessness of intellect. All these ideas are absurd from the standpoint of reason, but they are deeply necessary from the standpoint of the social-biological necessities in human life. The result of Bergson's analysis is that static religion is a necessary element in human society, and that there never has been and never can be a human society without religion.

It is a fundamentally different sphere of life in which dynamic religion grows. Negatively speaking, dynamic religion is independent of nature; there is no biological-social necessity from which it flows. Positively speaking, dynamic religion is the way in which man reinstates himself in the creative force of life. Dynamic religion is a contact or even an identification with *élan vital*. It is the recapture of freedom and even more, a complete deliverance from the bondage within which man as a natural animal is held. Therefore the source of dynamic religion is the creative force of life itself. To use the terms of Spinoza it is "natura naturans," not, like static religion, "natura naturata." Dynamic religion expresses itself only in one way, in mysticism, and even in this way only incompletely and inadequately. According to Bergson it is only in Christian mysticism, represented by such men as St. Paul, Augustine, St. Francis, that we can find something which comes near to real deliverance. Thus the relation to society is completely different from that of static religion.

But though dynamic religion as such is merely individualistic, it has certain social consequences. For at times it breaks through the network of natural and material conditions and propels life to higher stages, and in so doing changes also the social conditions of life. Thus it has a certain, if remote and indirect, bearing upon

the problem of social change. The origin of Christianity, for example, was such an outburst of dynamic religion, displaying irresistible energy which, in changing the whole of the world, changed also the social conditions and forms of life.

We may summarize the results of Bergson's analysis as follows. First, static religion, being itself a natural force, is derived from a certain social-biological necessity. In this sense it is determined by society, but it also determines society, since it is a necessary condition for the existence of human social life. Second, dynamic religion, being the manifestation of *élan vital* and thus a spiritual force, is completely free from any influence of social forces. It exerts a certain influence on society, however, since it introduces new possibilities into social life and therefore is related to the problem of social change.

II

A critical appraisal of Bergson's sociology of religion must consider first his concepts of religion and of society—whether they are adequate to the phenomena, whether they do justice to the essential elements which constitute the phenomena.

In Bergson's concept of religion there are three main contentions: first, that there are two types of religion which, though formally related to one another, are in effect fundamentally different in their nature and origin; second, that both of these religions have a source outside of their own realm, in the one case nature, in the other *élan vital*; third, that religion serves a purpose outside its own realm and thus can have only pragmatic truth (this is certainly Bergson's contention for static religion, and I believe that it holds also for dynamic religion, although there the contention is less clear). Now, it seems to me that this characterization of religion is not adequate to the subject. For religion is, above all, a phenomenon of its own.¹ In other words, it has an object entirely its own and it develops a system of ideas

¹ On this point see Max Scheler, particularly *Vom Ewigen im Menschen* (Berlin 1933) pp. 396 ff.

and concepts which again have their own immanent law, or *Sinngesetzlichkeit*. Its object is an ultimate which can best be described by the word "transcendency." The transcendent power of religion can be revealed and in turn discovered in realms other than the religious, but it cannot be derived from them for it is independent in itself and in this sense is a given reality. Nor can the spiritual process and ideas which constitute the subjective side of religion be derived from without; they can come only from within. Ideas such as sin, grace, redemption, originate only within the realm of religion itself. There is no possibility of tracing them back to other fields, such as the social reality. They are genuinely religious. Thus we may say that religion is neither a psychological nor a sociological fact, but is spirit, which means that it is a realm with an indwelling logic of its own, self-evident, pre-existent and *a priori*.¹

It necessarily follows that religion is irreducible and original. Therefore the question of a source of religion outside its own realm becomes utterly unintelligible. It follows also that religion cannot be defined in terms of its function; that is, it possesses not a pragmatic but an objective truth. Take for example the phenomenon of myth. Myth cannot be interpreted as absurdity—the way in which rationalism disposes of it—nor can it be interpreted in terms of biological necessities, as Bergson does. It must be interpreted as a peculiar way of revealing an extraordinary reality, and thus it is objectively true. Finally it follows that there cannot be two types of religion with two different sources and even natures. There exists only one phenomenon. We can only say that this phenomenon shows two sides, an *a priori* substance and the empirical expressions into which it unfolds itself.

The second problem is Bergson's concept of human society. To him it is a natural phenomenon, like any other which nature has produced in its development. Therefore it is fundamentally iden-

¹ What is said about religion can of course be applied also to such fields as science or art, which first of all are phenomena of their own, whatever else they may be in addition.

tical in its character with similar natural phenomena like societies of ants or bees. It is true that the existence of intelligence in man produces a peculiar problem for human society, and that both intellect and religion are phenomena peculiar to human social life. But these elements do not change the basic structure of human society since they are both to be explained by the working of the natural general law. In short, Bergson's idea of human society is quasi-naturalistic, and to that extent Bergson too belongs to the group of the naturalistic sociologists.

Again it seems to me that the phenomenon does not fit into the pattern of this concept, since the main point in the structure of human social life has been overlooked. For human society is *sui generis*, with a character qualitatively different from that of superficially similar phenomena such as ant-hills and bee-hives. There is a fundamental difference between them, for human society is shaped by a phenomenon which cannot be dissolved into natural elements, in whatever particular way it may be explained. This phenomenon, materializing in systems of ideas, values, norms, even ideologies, is a constitutive factor in human society and makes for its unique character. Thus it becomes impossible to explain human society in naturalistic terms. It follows that the essential question of what makes human society possible, that is, the problem of its unity, cannot be resolved by positing a mechanism of balance and counter-balance which is to restore the unity that has been disturbed, because that mechanism, if it works, cannot but restore a given natural unity such as exists in bee-hives and ant-hills.

Thus if it is granted that Bergson's concepts of religion and of human society are deficient, his analysis of the relationship between religion and society is bound to fail. The whole texture of his thoughts dissolves and the problem rises anew.

III

On the basis of these considerations we shall now try to arrive at a new solution of the problem of the relationship between religion

and society. In the last analysis it reveals itself as a philosophical problem of the relationship between spirit and nature. Thus any conclusion must rest upon certain presuppositions about this philosophical question. This discussion is based on the presupposition that the two are ultimate entities which cannot resolve into one another and therefore cannot be explained either in spiritual terms alone or in natural terms alone. According to this view they are both simply given, and all we can do is to inquire into their mutual interplay. Thus neither spiritualism nor naturalism is adequate, nor even Bergson's spiritualistic naturalism. The following discussion, of course, is intended to provide only a point of departure for further analysis.

The problem falls into two parts, the first dealing with the relationship in which society is taken as a given phenomenon and its influence on religion is to be discovered, and the second dealing with the relationship in which religion is considered a given phenomenon and its influence on society is to be analyzed.

As to the first consideration, society does not determine religion as such but it does determine the "reality" of religion. In other words, there is no relationship between society and the essence of religion, but there is a relationship between society and the existence of religion. Religion as such is necessarily transcendent to society and thus cannot be influenced by it, but society determines the "existence" of religion, that is, it determines whether or not certain ideal possibilities of religion can come into being. A certain sociological conjuncture is necessary for certain religious thoughts or beliefs or acts to be able to come into existence in the actual world. Therefore we may say that society has the function of selecting among the ideal possibilities those which shall actually come into existence, or in short, society must be considered as a "factor of selection" (Scheler).

Society determines the shape (*Gestalt*) of religion. It determines its existential structure as well as its existential development in history. The idea of God, for example, is entirely independent of any social force but the shape it assumes in

history can be traced to the sociological structure of the given time. And such concepts as sin or grace or redemption or death cannot be explained in sociological terms, but the concrete shapes they take on in reality are sociologically determined: the real historic concept of sin or of death in a bourgeois world is very different from what we may find in a pre-capitalistic society.¹

A sociology of religion proceeding along these lines should consider such problems as how religion is acted upon by the various social forces, racial, economic, political, and in what different ways the various parts which constitute the body of religion as a whole are affected or influenced by the underlying social structures. These studies would have to be not only empirical but should range from comparatively empirical to more and more general studies, thus providing what we may call a system of conclusions concerning the relationship between religion and society.

The second consideration is the problem of how religion determines society. In very general and abstract terms, religion appears to be the condition of the possibility of human society (*Bedingung der Möglichkeit menschlicher Gesellschaft*) to exist as such. Religion makes society possible, that is, it makes possible that unity and order which are required under the peculiar conditions of human existence; in short, religion makes it possible for there to be order and not chaos. The reason for this relationship lies in the peculiarity of human society. Human society can never be explained from within, and that is why it is radically different from all other forms of social life. It is always more than society. The elements of social existence form, so to speak, the material, but they get their shape only through a forming principle which lies outside of them. Thus society needs always and everywhere a "higher reality" which is "real" as well as "higher," that is, objective and transcendent. It follows that all theories of immanence are inadequate, as are also all subjective psychological

¹ On this point see, for example, Bernhard Groethuysen, *Die Entwicklung der bürgerlichen Welt- und Lebensanschauung in Frankreich* (Halle 1927).

theories such as those of "behavior" or of *Triebpsychologie*, since they overlook this specific situation, and that only a theory which does justice to this situation can be accepted. This "higher reality" is ultimately provided only by religion, or more exactly is religion; it is in this sense that we may say that ultimately religion is the *Existenzgrund*, the ontological ground of existence, of human society.¹

A sociology of religion should incorporate this principle also, and should supplement it with a body of concrete investigations. For example the problem of how myth and cult and sacrifice influence society may be studied. The work of Robertson Smith on the Semitic peoples or the new investigations of ancient Greece by W. F. Otto may well serve as models. The problem of the indirect influence of religion on society through the medium of man should also be considered; Max Weber's study of the relationship

¹ This is, of course, very abstract reasoning and must be taken as such. It does not attempt to include any other question of the law and structure of society. Schelling, a hundred years ago, seems to have been aware of this nexus. Though he refers only to one type of society his words can be applied to the general problem as well. He wrote: "Mir scheint gerade dies, woran bis jetzt niemand Anstoss genommen hat, sei sehr der Untersuchung bedürftig, ob es nämlich überhaupt möglich sei, dass die Mythologie aus dem Volk entstehe. Denn zuerst, was ist doch ein Volk oder was macht es zum Volk? Unstreitig nicht die blosse räumliche Koexistenz einer grösseren oder kleineren Anzahl physisch gleichartiger Individuen, sondern die Gemeinschaft des Bewusstseins zwischen ihnen. Diese hat in der gemeinschaftlichen Sprache nur ihren mittelbaren Ausdruck; aber worin sollen wir diese Gemeinschaft selbst oder ihren Grund finden, wenn nicht in einer gemeinschaftlichen Weltansicht, und diese wieder, worin kann sie einem Volke ursprünglich enthalten und gegeben sein, wenn nicht in seiner Mythologie? Es scheint daher unmöglich, dass zu dem schon vorhandenen Volk eine Mythologie hinzukomme, sei es durch Erfindung einzelner unter ihm oder dass sie ihm durch eine gemeinschaftliche instinktartige Erzeugung entstehe. Als unmöglich erscheint auch dies, weil es undenkbar ist, dass ein Volk sei ohne Mythologie. Man dächte vielleicht zu erwidern, ein Volk werde zusammengehalten durch den gemeinschaftlichen Betrieb irgendeines Geschäftes, z.B. des Ackerbaus, des Handels, durch gemeinschaftliche Sitten, Gesetzgebung, Obrigkeit u.s.w. Gewiss, dies alles gehört zum Begriff eines Volkes, aber fast unnötig erscheint es, daran zu erinnern, wie innig bei allen Völkern obrigkeitliche Gewalt, Gesetzgebung, Sitten, selbst Beschäftigungen, mit Göttervorstellungen zusammenhängen.—Die Frage ist eben, ob dies alles, was vorausgesetzt wird und was allerdings mit einem Volk gegeben ist, ohne alle religiöse Vorstellungen gedacht werden könne, die nirgends ohne alle Mythologie sind." (Schelling, F. W., *Sämtliche Werke*, pt. 2, vol. 1, Stuttgart 1856, pp. 62 ff.)

between protestant ethics and capitalism may be mentioned in this connection. On the other hand, investigations would have to be made too into the way in which the various objective structures and forces of society, such as the state or law or economic life, are directly or indirectly affected by religion.

IV

The sociology of religion, as far as the abstract problem of the relationship between religion and society is concerned, has gone through three stages of development. The first was spiritualism and materialism, of which Hegel and Marx respectively may be considered the representatives. The second was positivism and empiricism, of which Durkheim was the outstanding figure. Bergson's new attempt may be termed the third stage. But it seems to me that today the problem presses for a new solution, a solution in keeping with the new developments both in the philosophy and theory of religion and in the philosophy and theory of society. It will have to meet the requirements of both and should have at least these two characteristic traits: it should be based neither on the philosophy of relativism nor on the philosophy of positivism but rather on one which comes near to the old Platonic view; and though based on philosophical principles it should not have the ambition of being a philosophy itself. In any case it should remember Schelling's words in his *Philosophie der Mythologie*:¹ "Hier fragt es sich nicht, we muss das Phänomen gewendet, gedreht, vereinseitigt oder verkümmert werden, um aus Grundsätzen, die wir uns einmal vorgesetzt nicht zu überschreiten, noch allenfalls erklärbar zu sein, sondern: wohin müssen unsere Gedanken sich erweitern, um mit dem Phänomen in Verhältnis zu stehen."

¹ *Ibid.*, pt. 2, vol. 2, p. 137.

IN MEMORIAM FERDINAND TÖNNIES (1855-1936)

BY ALBERT SALOMON

MODERN German sociology cannot be thought of without the fundamental work of Tönnies. Of course there were some trends toward sociology during the nineteenth century, in Marx and Schäffle particularly, but they took the form of a combination of sociology with philosophy of history. It was the great achievement of Tönnies to free sociology from this combination and to establish it as a social science of its own. And it is an acknowledgment of the particular character of his work that a few days before his death, in honor of his eightieth birthday, he received a book¹ containing contributions from scholars all over the world, articles from scholars in Greece, Japan, Italy, Netherlands, England and Switzerland as well as the German essays. The importance and appreciation of his work in the United States are evident in the contributions of Boas and Sorokin. And the contributions are not confined to sociologists. Historians, such as Meinicke, philosophers, such as Löwith and Schmalenbach, point out the philosophical implications of his thought. But this common esteem must not deceive us on the influence of his work. Though his sociological concepts have not been neglected either by Max Weber or by Vierkandt and the younger generation (the most outstanding evidence is Schmalenbach's supplement of Tönnies' categories *Gemeinschaft* and *Gesellschaft* by the concept of league or *Bund*),² neither formal nor historical sociology has followed the direction and suggestions of his work. Hence we may say that he dwelt in solitude, even in the last epoch of his glory under the German democracy.

¹ *Reine und angewandte Soziologie, eine Festgabe für Ferdinand Tönnies*. Leipzig: Hans Buske. 1936. 403 pp. 12.37 RM.

² Schmalenbach, Herman, "Über die Kategorie des Bundes" in *Die Diokuren, Jahrbuch für Geisteswissenschaften* (Munich 1922) vol. 1.

And that raises a significant problem—why he was not able to create a sociological school, although he suggested a genuine type of sociological thinking.

He was solitary when he published the first edition of *Gemeinschaft und Gesellschaft* in 1887, with the subtitle Communism and Socialism as Empirical Forms of Culture. It was the first attempt at separating the trans-historical and historical elements within the social structure. He gave an analysis of the social process, from the agrarian communism of the early historical periods to the modern capitalistic society, and the elements of socialism implicit in this type of society. But he pushed through the realm of history and discovered in community and society trans-historical sociological categories correlated to the historical social concepts of communism and socialism. Both represent general types of social structure. The social ties of *community* are shaped by natural and emotional relationships, which integrate social existence. Hence this sociological structure is based upon mutual sympathy and interdependence. The general type of *society* means a social structure which combines private and isolated individuals in a collectivity with very utilitarian means-end relationships. Tönnies was the first to see and formulate this tension between the historical and the trans-historical within sociological concepts. Later on he characterized the epistemological structure of his concepts as ideal types, in the sense of Max Weber, but first he emphasized the trans-historical character of sociological concepts.

This stimulating book did not impress anyone when it was published in 1887. Indeed, the general trend of German thought did not accept the sociological approach. Treitschke's famous pamphlet against sociology indicates emphatically the academic opposition to autonomous social sciences, which were believed to belong to political science. On the other hand, there were some very productive trends toward genuine sociological methods in the historical school of economics, in Schmoller and Adolf Wagner especially. In jurisprudence Gierke, like Maine and Maitland in England, created a new type of sociological approach toward

law by his *Genossenschafts* theory. Tönnies was profoundly influenced by the first two volumes of this work,¹ published some years before *Gemeinschaft und Gesellschaft*. Gierke represented a trend of thinking very similar to Tönnies'. Gierke's profound analysis of the rationalized modern society based upon capitalism and upon the rational social philosophy of the law of nature led him to a description of other types of social organization. These types of association, however, are not linked up by utilitarian ends, but have to be understood from within. Hence it is no accident that later on, in his criticism of the first draft of the German Civil Code, Gierke accepted Tönnies' concept of community as opposed to the Romanistic and rationalized type of society which was at the basis of this plan.

This is only one example of the fact that the disintegrating tendencies of modern industrial society created a general trend toward sociological thinking, quite independent of political questions and regardless of the status of sociology as a science. The question of what has happened to man and his social existence became the true intellectual expression of a situation of social unrest and uneasiness. A critical attitude toward the modern social structure joined the conservative Gierke and the progressive Tönnies in analyzing the trends of social dynamics and the general lines of a new social order. But because these sociological trends influenced the methods of economics, political science and jurisprudence there was no appreciation for Tönnies' attempt to establish sociology as a particular science.

Without being discouraged he began to approach the problems of social life by a descriptive method which he later called empirical sociology. Using the methods of statistics he analyzed, for the different structures of society, the most important trends in the moral affairs of life, such as marriage, crime and suicide, emphasizing the different trends of the same behavior patterns in the country and in small and large cities. He pursued this type

¹ Gierke, *Das deutsche Genossenschaftsrecht*, vol. 1 (Berlin 1868), vol. 2 (Berlin 1873).

of empirical sociological description throughout his life and enriched the methods of social statistics by some new correlation concepts.

Not until twenty-five years after the first edition of *Gemeinschaft und Gesellschaft* could he publish a new and revised edition. This book had a great success, but this too was due to a misunderstanding. It was the time of the rising youth movement, especially among students, and they greeted Tönnies' book as a scientific expression of their own antirationalistic feelings and their enthusiasm for the vital powers of life. Many years later he was even reproached by colleagues for having preferred the idea of community to that of society and for having neglected to create objective sociological concepts. Anyone who knows the work of Tönnies will be astonished by this misunderstanding. Almost no one in his epoch was so strong a rationalist and scientist as he, and nothing was stranger to his mind than the emotional drive and the irrationalism of the youth movement.

But what is perhaps more astonishing is the profound lack of comprehension for his work among the socialist intellectuals. Tönnies not only accepted socialism as the logical outcome implicit in the social presuppositions of modern society, but he also accepted the economic and sociological ideas of Marx and integrated them into his work. But his sociological approach transformed the ideas and suggestions of Marx into a new structure of thinking, strange to the followers of Marx, and it may be that his approach was so strange and subjective that no one was willing to follow his way of thinking. Throughout the nineteenth century sociology and sociological method were correlated with the social movement of labor and with the social problems involved in the disorganizing forces of industrial society, so that conservatives and progressives had the same critical starting point in the production of a new scientific view toward social life. The fundamental trend of Tönnies' sociological thought can be found in the early writings of Marx—in the idea of genuine democracy, later the idea of a classless society, a concept very similar to Tön-

nies' idea of community, the coincidence of public and private life as in the ancient Greek *polis*.

And Gierke's *Genossenschafts* theory can be understood only as an attempt to conquer the atomistic and individualistic social theory of modern rationalized and capitalistic society by an organic theory of autonomous social groups as opposed to the mechanical theories of some western sociologists. Also Durkheim, who reviewed¹ Tönnies' book, gave a striking example of the identity of intellectual movements in the same historical moment. In his *De la Division du Travail Social* (1893) he described two types of social structure, designating as mechanical the social organization of the primitives, and as organic the rational modern structure with its social differentiation and stratification. Sorokin has pointed out² that Durkheim used the concepts of Tönnies reversely, but he does not explain the causes of this difference. It is based upon Durkheim's positivistic idealism, according to which the growing interdependence of modern social life will produce an organic solidarity of mankind opposed to the mechanical relationships in primitive societies. In contrast to Durkheim, Tönnies emphasized that the rational means-end relationships of modern society are mechanical, while the community integrates the individuals into an organic structure, with all its members held together by common trans-utilitarian values. Hence the work of Tönnies is not isolated in the historical trend of social thought, but is specific in its individual form.

Tönnies himself declared that it was his opposition to Spencer's sociology which became the starting point of his sociological work. He agreed that we have to analyze the historical process as sociologists, but he denied the onesidedness of Spencer's analysis of the different strata of life and their dynamics. What Tönnies was striving for was a genuine understanding of the different types of social structure and the inner ties of the different behavior patterns. They are the product of human nature in its development.

¹ *Revue Philosophique* (1889) vol. 3.

² Sorokin, *Contemporary Sociological Theories* (London 1928) p. 491.

And when he spoke of will-relationships as the basis of community and society, the term was not quite correct. His "essential will" (*Wesenwille*) and "arbitrary will" (*Kürwille*) are conceptions of two different aspects of the totality of human nature. The one is characterized by the prevalence of the trans-rational elements in the structure of man, the other by the priority of reason. But he misunderstood the epistemological structure of these concepts when he called them psychological. They represent the genuine type of phenomenological description (in the sense of Husserl), a kind of social phenomenology *avant la lettre*. This means that at the basis of his sociological analysis was a philosophical knowledge of human nature. It is no accident that as heading for the chapter treating the forms of will he chose Spinoza's *Voluntas atque intellectus unum et idem sunt*. This is the typical presupposition of the social philosophers of the seventeenth century. And for scholars he greatly admired he knew no higher praise than to compare them with Hobbes, Grotius and Pufendorf. Thus in his sociological thinking the types of social behavior patterns may change in respect to the shifting conditions of life and the different types of social structure, but human nature is one and the same throughout the change in the historical process. Therefore sociology has to discover the permanent and natural trends of social relationships. And Tönnies emphatically pointed out that the different types of community and society may exist in the same social structure in different degrees. In his last book, *Geist der Neuzeit* (Leipzig 1935), he applied his concepts to the process of western history. He called this sociological interpretation "applied sociology," as subordinated to theoretical sociology. Here he reveals the wealth and the fertility of his sociological concepts, in combining the structural concepts of community and society with the formal concepts of social relations, groups and associations. In correlating the strata of economic, political and intellectual life to the general sociological ideas of individualism, domination and associations he analyzed the social function of these types of behavior throughout the different historical shapes and contents.

These types of behavior express the original social phenomena (*Urphänomene*), based upon the essence of human nature, and they recur throughout the historical process in various shapes and with different contents. This fundamental trend of thinking is the dynamics of Tönnies' whole work, from *Gemeinschaft und Gesellschaft* to the *Geist der Neuzeit*. It is the attempt to integrate the anthropological, economic and historical knowledge of his time into a system of sociological concepts and to break through the world of institutions and organizations in order to understand them as types of social behavior. They realize the different functions of human nature and represent as a whole the unity and complexity of human existence. In contrast to the radical agnosticism and nominalism of Max Weber, the sociological work of Tönnies is based upon a philosophical assumption concerning human nature, a starting point which links his work to the great philosophers of the law of nature. It is the meaning of his sociology to discover in empirical analysis the general traits of human nature, whatever may be the shifting forms of the historical types of social relations. The passionate scientific rationalism of Tönnies fought strongly against religion and theology, but he accepted the secularized basis of the law of nature, identifying nature, will and reason as the unity of human existence although in a changing constellation of its elements. His breaking through historicism and relativism went in the direction of a natural system of social behavior patterns. A conception of sociology as the modern scientific type of the law of nature—this was the specific character of his work and it was this that created the isolation of his thought. His work was really an untimely meditation, for no one of the sociologists who pursued his concepts was able to accept the philosophical background of his sociological approach. The analytical trend in all sciences had destroyed the scientific truth of his ideas on human nature and had dissolved it into a bundle of relations, which no science was capable of integrating to unity. This is the cause of his strange solitude in the midst of the praise and glory by which he was surrounded in the German democracy.

The combination of the scientific achievements of the nineteenth century with the spirit of the social rationalism of the seventeenth century and the existential vitality of his Frisian temperament symbolizes the strength of his mind in spite of the disintegrated and abstract trends of the scientific methods of his time.

This individual attitude shaped the whole work of Tönnies. And we may say that except for his contributions to social statistics he pursued the same way throughout his life and developed the basic ideas which are to be found in *Gemeinschaft und Gesellschaft* in all his later books and essays. In his studies on folkways he analyzed the organs and the expressions of the community-structure, and their change as conditioned by the social process, and the same approach to an understanding of the typical forms of society led him to his researches on public opinion, progress and religion.¹ The fundamental trend of his thinking is evident in the different strata of his intellectual experiences (*Bildungserlebnisse*) : Marxism, law of nature and romanticism.

In the presentation and the analysis of the modern social process and the relations between capital and labor he followed the ideas Marx had developed in *Das Kapital*, and throughout his work, in describing the structure of either community or society, he acknowledged the basic ideas of historical materialism as the most efficient method of explaining the social process. He accepted historical materialism in the rather simple interpretation that the dynamics of the economic stratum determines the shape of political institutions and the types of intellectual and spiritual life, but that there is a mutuality between the strata which constitute social existence. This agreement with the fundamental ideas of Marx does not, however, make Tönnies a Marxist. Nothing is more characteristic of his thinking than his transformation of these ideas. Repeatedly, in introducing the basic ideas of historical materialism, he started with the remark that Schiller, the idealistic thinker and poet, knew very well that the spiritual and

¹ *Kritik der öffentlichen Meinung* (Berlin 1922); *Fortschritt und soziale Entwicklung* (Karlsruhe 1926); *Soziologische Studien und Kritiken*, 3 vols. (Jena 1924-28).

intellectual development of man depends on his material and economic existence. And he often quoted Schiller's famous letter to the Duke of Augustenburg, that man first needs food before he can progress to higher and more spiritual activities, that the masses are forced to be interested first in their economic and material aims. Thus he understood the economic sphere as neither an historical nor an abstract isolated denominator of the total social life, but as the natural basis of social existence. This is the empirical sociological concept of anxiety as one natural type of social self-conservation. As an organic and natural function it is one pillar which supports the house of man and has to be integrated into the frame of human existence. This is the peculiar character of Tönnies' interpretation of Marx: to accept the overwhelming importance of the economic trend in social life, but to treat the economic behavior patterns as a natural function of life. His sociological concepts were of a kind to destroy the economic entity and to dissolve it into natural social relations. While Marx made human nature economic, Tönnies made the economic realm natural. It is the merit of Tönnies that he called attention to the combination of historicism and law of nature within the structure of Marx's work.

Whatever was the influence of Marx on Tönnies, the kernel of his thought can be understood only from his affinity to Hobbes and the secularized type of the law of nature. Throughout his life he worked at the publication of unknown works of Hobbes and at an edition of his letters.¹ In many articles and a biography² he hoped to revive the ideas of this great social philosopher, who had been the first to give a sociological analysis of the growing capitalistic society. Tönnies was the first to point out that the

¹ Works of Hobbes which were edited by Tönnies include: *The Elements of Law Natural and Politic* (London 1889, Cambridge 1928, German translation Berlin 1926); *Behemoth, or the Long Parliament* (London 1889); "17 Briefe des Th. Hobbes" in *Archiv für die Geschichte der Philosophie*, vol. 3 (1890).

² *Hobbes, Leben und Lehre* (Stuttgart 1896, 3rd ed. 1925); "Hobbes. Analekten" in *Archiv für Geschichte der Philosophie*, vol. 17 (1904, 1906); "Hobbes' Naturrecht" in *Archiv für Rechts- und Wirtschaftsphilosophie*, vol. 5 (1912); "Die Lehre von den Volksversammlungen und die Urversammlung in Hobbes Leviathan" in *Zeitschrift für die gesamte Staatswissenschaft*, vol. 89 (1930).

political works of Hobbes contain a genuine sociological theory of modern society based on an abstract rational law of nature. This natural law has to be correlated to the revolutionary dynamics of modern industrial society and is its outstanding intellectual expression. The theory endeavors to analyze the modern body politic as a rational collective will, integrating the variety of atomic individual wills and utilitarian ends into an order of peace, security and reason based upon common consent and obedience. Social behavior patterns are linked by utilitarian means-end relationships. Hence contracts and conventions are the types of these modern social relations, and rational conventions, instead of the folkways of a community, determine the prestige of social groups. Hobbes' strongly individualistic and secularized conception of the law of nature is distinguished from the theological and metaphysical law of nature of the continent. Tönnies contended that Hobbes' sociological approach was historical, because his description was valid only for modern industrial and rational society, not for the Middle Ages, for large parts of the ancient world or for the primitives. It is an achievement of Tönnies to have seen these limitations in the social philosophy of Hobbes. Since Tönnies accepted the general type of law of nature as sociology, he denied that the rational type is the unique one. He suggested that the rational theory of modern society should be completed by a law of nature concerning community (*Gemeinschaftsnaturrecht*). The basis of the sociological theory would be not the struggle of man but sympathy, mutual toleration and peacefulness. This presupposition involves some consequences for the social norms in this system. There is a correlation of social rights and duties, the responsibility of each member to another corresponding to his function in the social body, with justice understood as the adequate distribution of common rights rather than as the formal justice of a society of exchange. This means the coincidence of morals and law, and leads to socialism as the realization of the norms of community.

Tönnies was particularly interested in the sociological theory

implicit in the law of nature. It represented the great attempt to break through the relativism of the historical world and to establish a system of general concepts of social relations. This system is not a nominalistic classification, but an empirical formula of the radiations and stratifications of human nature. The individual and particular trend in Tönnies' sociological thinking was to reestablish the social philosophy of the law of nature with the means of nineteenth century sciences.

These two elements of Tönnies' thought, Hobbes and Marx, law of nature and historical materialism, have been newly observed by Aron in his excellent presentation of modern German sociology.¹ But the complex character of his work can be understood only in the light of a third element. In the famous preface to the first edition of *Gemeinschaft und Gesellschaft* Tönnies declared that his book was influenced by Marx, Gierke, Maine and Morgan. In addition to these he mentioned also Bachofen as one who had profoundly influenced and impressed his thinking. Bachofen in *Das Mutterrecht* (1861) was the first to analyze the interrelationships between the economic conditions of primitive agrarian civilizations and those of the matriarchal social order. But this was only one aspect of Bachofen's work. Tönnies was impressed much more by another achievement of this scholar. Throughout his work Tönnies developed the basic ideas of Bachofen concerning the shaping powers of mother-relations for the foundation of the social order and for a general type of human behavior patterns. Tönnies' chief distinction between real and organic life (community) and ideal and mechanical social structure (society) took Bachofen's definitions of mother-right and father-right as patterns. And Tönnies' profound analysis of the organic natural relations between mother and child, man and wife, brothers and sisters, and of the social behavior patterns deriving from these relationships—natural distance, piety, devotion and brotherhood—corresponds to the deepest intentions of Bachofen. (Tönnies did not quote Bachofen and gave no refer-

¹ Aron, R., *La Sociologie Allemande Contemporaine* (Paris 1935) pp. 20 ff.

ences to his books, but he seems to have known only *Das Mutterrecht*, not *Das lykische Volk*, 1862, or *Versuch über die Gräbersymbolik der Alten*, 1859.) Tönnies declared that "The family's roots are invisible, metaphysical, as if from under the earth it were descended from a common ancestor."¹ And he used the same approach to organic social processes when he affirmed and accepted Adam Müller's definition of a nation (*Volk*) as the unity of past and future families in the present generation.

All these ideas are genuine romantic concepts. But nothing would be more absurd than to call Tönnies a romantic. He described and analyzed the natural organic processes which create a type of social behavior quite different in their sociological relevancy from the purely rational means-end relationships, and he affirmed their general social value. But his own thought was independent and beyond the dynamics of these emotional processes; it was the imperturbable will of rational knowledge. This attitude of knowing and understanding the social ties produced by natural and emotional forces is quite opposite to that of a romantic, who expresses these emotional trends but does not explain and understand them. And in contrast to the genuine trend of romanticism he saw very clearly that the social types and forms of community, and their modes of human self-realization such as folkways, religion and poetry, are correlated with definite social conditions and shift with them. These categories, however, are not historical but sociological. Repeatedly he emphasized that his concepts were general sociological concepts of trans-historical character. The manifestations of community and society may coexist in the same social structure. Even an individual institution like the family may be a combination of both elements. This is the reason for the ambiguity of this type of sociological concepts, which are at once both historical and trans-historical. In Max Weber's sociology, especially in the chapters on the types of domination, we have to examine very carefully the methodological difficulties of this type of sociological conception. If one agrees,

¹ *Gemeinschaft und Gesellschaft*, p. 208.

with Tönnies, that life is historical in every moment and stratum of its process, then the introduction of sociological concepts transcending the realm of history presupposes some ideas on the continuity of human nature, ideas which cannot be empirical. Hence Tönnies' sociological concepts are based upon the philosophical idea of the constancy of human nature within the shifting conditions of its strata.

Because his thinking grew up from these presuppositions he could regard the organic social relations in time (clan, family, nation) and in space (neighborhood, small cities) not only as primitive and historical, but as containing general permanent elements of human existence. Therefore their destruction, or their stunted development, in the modern social structure and in rationalized industrial society is a question of their empirical forms, not of their essential character. In his different inquiries into the typical social forces within the community¹—mores, folkways, religion—he explained that their transformation into societal forms is a necessary and inevitable achievement of the rationalized will-relations, which are the result of industrial society and of social conditions in the modern large cities. This is more a transformation than a destruction. Nevertheless Tönnies considered the dissolution and transformation of the ties of community to be a tragic necessity. But the logic of his philosophical presuppositions led him to believe that within the rational modern society there are growing up new types of trans-rational social relations. This modern society, in the logical consequences of its conditions, leads to socialism, whatever may be the concrete form of its realization. The process will destroy all the traditional types of organic social relations and their expressions in the intellectual and spiritual forms of life. Indeed there is the strongest radical rationalism in his conviction that this process will dissolve the historical background of western civilization. The Greek and Roman heritage and the Christian faith are in decline, and will fall with the transi-

¹ *Die Sitte* (Frankfurt 1909); *Fortschritt und soziale Entwicklung* (Karlsruhe 1926); "Sitte und Freiheit" in *Gedächtnisgabe für Dunkmann* 1933 (Berlin 1933).

tion to socialism. The progressive power of enlightened scientific consciousness will destroy the trans-rational organic forms of devotion and creed, and will create a scientific ethics as the spiritual basis of social life. This will be a synthesis between elements of community and of society. Also in the economic sphere of industrial society there are growing up social institutions, such as associations of producers and consumers, which combine the structural elements of community and society in a development toward new types of social organization. Therefore the epoch of transition may produce a series of catastrophes which will shake western civilization. In the long run the realization of socialism will construct new types of common relationships, because the new social order will transform the will-relations of man which are at the basis of the social behavior patterns.

G. Marcel is wrong in calling Tönnies' position a cultural pessimism.¹ It is rather the melancholy optimism of a passionate rationalist. But in agreement with Schmalenbach² and Colm³ he suggests a very important problem. He sees clearly the limitations and boundaries of Tönnies' concept of community. Organic relations, such as the family, types of patriarchy and religious attitudes based upon the experiences of natural devotion in the mother-relations, are not the only type of community. Spiritual ties create quite another type of community, which may be represented by the Platonic Academy, Epicurus' gardens, the early Christian communities and some types of sects.

One may be inclined to believe that this development from community through society to a new community is a sociological revival of the dialectics of Hegel and Marx. But that would be a wrong interpretation. Tönnies understood the historical process as the evolution and development of reason, in combination and correlation with the organic and emotional elements of human nature. This is a way of slow progress, but it is a continuous

¹ Marcel, Gabriel, *Être et Avoir* (Paris 1935) p. 352.

² Schmalenbach, Herman, *op. cit.*, *passim*.

³ Colm, Gerhard, "Masse" in *Handwörterbuch der Soziologie* (Stuttgart 1931) *passim*.

growth toward the perfection of human life. Hence his approach was neither dialectical nor romantic, and can be compared only with the social philosophy of the seventeenth century law of nature. The trans-rational¹ is part of the unity of human nature and has to be understood. "Thinking man must be able to know the unconscious creative power in social and individual mind and find reason not only in formal discursive thinking."² This unity of reason, will and nature and their complexity is the most characteristic trend in the thought of Tönnies.

There is another passage which points out very clearly his comprehensive idea of reason and his critical conception of reason in society. "The more we become free from mores and in mores, the more we need a conscious ethics, in other words a knowledge of what makes man genuine man: self-affirmation of reason. And therefore reason must cease to be an essentially analytical power. It must develop to the cheerful and vital healing force of the community. Then only will it be the supreme power of man."³ This remark signifies clearly the basic position of Tönnies. Human nature as social existence may appear in different constellations and orders, but it is always one and essentially the same. Only from this presupposition do we get a full understanding of his individual achievement. He attempted to integrate the historical, economic and psychological knowledge of the nineteenth century into a system of sociological concepts and categories which constitute the empirical realm of the social development of human nature. And he dissolved the pressure of institutions and organizations into concepts of social relationships—sociology as the dynamic and scientific type of a modern law of nature.

Here the circle is closing. We may understand the causes of his solitude. The nineteenth century had broken the strength and vitality of the belief in a law of nature. It had developed two different trends of thinking, one scientific-positivistic and the other

¹ Christian Janenzky, in his *Mystik und Rationalismus* (Leipzig 1922), first used the term "trans-rational."

² *Die Sitte*, p. 92.

³ *Ibid.*, p. 94.

historical-romantic. They represented the growing tension and the antagonisms within the intellectual and spiritual structure of man. While the scientific type of thinking tried to analyze the complexity of life by abstracting and isolating the different strata of life and creating nominalistic entities, the historical way of thinking discovered only relativism and contingency. Neither approach was capable of a comprehensive understanding of the complexity of social existence, since neither contained any integrating principle. Neither of them allowed a genuine understanding of Tönnies.

The strong unity and completeness of his thinking were strange to his contemporaries. Nothing can prove this better than an analysis of his literary style. Although he had studied the social sciences and philosophy, his writing does not suggest the influence of anyone or of any definite type of scientific terminology. His writing is very rich in new and imaginative words pointing out the creative power of his synthetic mind in uniting experience and thought. On the other hand, we find also very strange and rational expressions comparable to those of the philosophers of the seventeenth century. Indeed intellectually he was a son of this century, representing the strongest tension between radical rationalism and a consciousness of the trans-rational powers in man. This passion for a scientific rationalism integrated all the elements of his inheritance. It is no accident that he was the descendant of Frisian farmers. The Frisians near the Danish border were almost the only German peasants who had never been serfs or served in manorial dependence. In his emphasis on the sociological structure of community he tried to found an intellectual tradition for the permanent values implicit in these types of social behavior. This unity and tension between the highest standard of scientific rationalism and the knowledge of the trans-rational powers in the shaping of social ties created a rich understanding of the variety and the potentialities of social relationships, and suggests a general theory of social existence as basis of the development of human nature.

BOOK REVIEWS

PETER, HANS. *Grundprobleme der theoretischen Nationalökonomie*. Vol. 1, *Wert, Preis, Profit*; Vol. 2, *Der Gesamtprozess in der Entwicklung*. Stuttgart: W. Kohlhammer. 1933 and 1934. 204 and 170 pp. 9 and 8 RM.

This work on basic theoretical issues in economics presents a systematic analysis of problems of both stationary and dynamic systems. It consists of two volumes, the first of which deals exclusively with the strictly static aspects of value, price and distribution problems, the second with certain features of economic growth.

The first and more comprehensive volume is largely in the nature of a systematic and critical exposition of well known value theories, the marginal utility theory on the one hand, and the labor value theory on the other. In addition the author presents a theory of distribution which, although it will not seem entirely new to readers familiar with Marxian and post-Marxian literature on distribution, certainly departs from the usual line of thought, especially the Anglo-Saxon.

As to the two approaches to economic value, the author emphasizes his belief that, far from being contradictory, each needs to be supplemented by the other if an attempt is made to give a full explanation of the "causes" underlying the market price of goods and services. He contends that differences of opinion between proponents of the "subjective" (marginal utility) approach and those of the "objective" (labor value) approach have much to do with the fact that frequently writers are not equally familiar with both theories. While the "subjective" value theory is particularly suited to considering the effects of human wants and demand schedules upon prices, and to demonstrating the general interdependence of prices, the "objective" value theory is superior in clarifying the "laws" of distribution. The labor value theory has very frequently been misinterpreted. Ricardo did not, nor in fact did Marx, think of labor as the substance of economic value in an absolute sense, that is, independent from human judgment and attitudes (demand curves). The labor value theory merely holds that, under very specific and abstract assumptions as to the type of economy, the amount of labor invested in commodities serves as a "measure" of static prices. Prices, so Mr. Peter argues, cannot be explained in technical or in psychological terms; rather the economic theory of prices is sociological (vol 1, p. 52).

Therefore the author considers of basic importance the sociological distinction between the "auterg" and the "allerg" type of economy. The term "auterg" refers to a system free of income derived from property, that is, free of land rent and interest on capital; the term "allerg" refers to the system actually existing. We may say that the "auterg" economy knows only goods that are not specifically rare (the author speaks of goods that can be produced at will), whereas the "allerg" economy deals, among other things, with goods that cannot be produced by labor.

The labor value theory applies only to the "auterg" economy in which, by definition, labor is the sole factor of price. It remains fully intact, however, even if implements are used in the production process, so long as the creation of tools is merely a matter of applying labor to them (the land factor being entirely free). Difficulties arise only in connection with the introduction of "specifically rare" goods and services. The theory cannot, for instance, explain the existence of an "absolute" land rent. After a lengthy discussion of this point the author finally dismisses the labor value approach. But though the theory is put out at the door it comes back in at the window. Its return is announced by the author's view as to the nature of income derived from "property" (interest on capital and rent). In his opinion the so-called property-income is a monopolistic income.

Mr. Peter's theory of the factors determining prices and incomes in the "allerg" economy is that the owners of factors of production, apparently with the exception of what we usually mean by workers, are in the enviable position of being able to lift prices beyond the "true" costs of production (that is, labor costs), the margin between the actual market price and labor costs representing the income of the non-working classes. The special twist which this hypothesis—its basic idea, of course, is not new—receives in the hands of the author is that the various forms of "property" income are dealt with in terms of prices of "specifically" rare goods.

I cannot go into the details of the analysis. Instead I shall offer a few critical suggestions. To me the labor value approach, in spite of the undeniably ingenious and in many ways refined form in which it is presented by Mr. Peter, is still open to basic doubts. What I am unable to agree with is the contention that "property" income is plainly a monopolistic form of income or, which amounts to the same, that the "allerg" economy is, not only from a practical but also from a purely theoretical point of view, incompatible with the concept of free competition. The term monopoly, as it is used by the

author, goes far beyond the meaning it has in the ordinary theory of free and monopolistic competition, where interest on capital, for instance, is by no means regarded as a monopolistic form of income. As long as the interest rate is determined simply by the supply of and demand for capital there seems to me to be no difference between the capital market and the labor market as to the question of free competition.

Some critic has suggested that Mr. Peter uses the term monopoly in an ambiguous way, in some cases in a strictly economic sense, in others in a wider sociological meaning. To this opinion I am ready to subscribe, yet I doubt, in view of the author's already quoted statement that the economic theory of prices is sociological, that the labor value theory allows for a distinction of this nature. Rather it seems to me that this theory contains a normative element, even in the refined form given to it by Mr. Peter. Value judgments seem to be an almost inevitable feature of price and distribution theories. Though usually rejected in general methodological reasoning, they creep in a more or less disguised form into the apparatus of theory; in this particular instance they stand, in my opinion, behind the distinction between the "auterg" and the "allerg" type of economy. Fortunately we have a theory of distribution which is, potentially at least, purely technical and free of normative features. I am of course aware of the fact that this theory has in many instances been amalgamated with value judgments as to the nature of marginal wages, interest rates, etc.

The second volume is almost entirely independent of the first one. It offers a very thorough and ingenious analysis of various types of economic growth, clarifying quantitative relationships between social net product, gross product and total labor income, as well as between productivity, rentability and saving in a growing capitalistic system. For the purposes of illustration the author uses algebraic schemes of the production process which are superficially similar to the ones worked out by Marx but which in fact are essentially different, in that they are free of the labor value doctrine.

On the whole the two volumes cover a very impressive variety of subjects. In many respects the author's views are new or at least throw a new light on old issues. This is especially true of the second volume, which deals with problems hitherto very inadequately discussed.

WALTER EGLE

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STALEY, EUGENE. *War and the Private Investor*. New York: Doubleday, Doran. 1935. 562 pp. \$4.50.

ANGELL, SIR NORMAN. *Raw Materials, Population Pressure and War*. [World Affairs Books No. 14.] New York: World Peace Foundation, 1936. 46 pp. 75 cents.

These two books, different as they are in size, style and method, have nevertheless a common aim: to confront favorite political slogans with economic realities and to fight against half truths or untruths by examining facts and figures. Thus the book by Eugene Staley "tries hard to stick to what can be verified and proved." He has studied a number of prominent cases of political frictions that occurred during the last decades before the World War, cases with a particularly strong interweaving of political aspirations and economic, especially investment, interests, and finds that they "should be a challenge to some serious rethinking on the complex interrelations of economics and politics." He plunged into these cases by traveling through Europe, by interviewing men really connected with the real events, by hunting up printed and unprinted documentary material.

And his findings differ very widely from "a crude or naïve form of the economic interpretation of history." For while it is true enough that in some cases "private investors abroad have sought to secure diplomatic aid for their projects and that their influence on diplomacy has at times brought conflict between governments," Mr. Staley nevertheless concludes that "the caricature of the banker burdened with bags of surplus capital, forced to seek outlets for his excess funds in hazardous territory, then calling upon his government for protection, belongs mainly in mythology." He found private foreign investments, particularly in dangerous cases, to be much more frequently the tools of diplomacy than the instigators of diplomatic action, to be servants rather than masters. In all these cases not economic interests but political aims are the decisive incentive: the aim of prestige, of glory, of power, of a great place in the world, of a big navy ("private foreign investments have been considerably more useful as an aid and protection to navies than navies have been as an aid and protection to foreign investments"). And there are in all countries the same primary moving forces behind these aims: not only, and not even primarily, capitalists longing for lucrative investments, for raw materials, for markets, but "ardent young journalists, military and naval men, members of the aristocracy, romantic geographers, explorers, government officials, national economists, and national-

istic patriots in general"—in England as well as in France, Italy and prewar Germany. Mr. Staley is much more interested in facts than in theories. He scarcely discusses the theories of imperialism and does not even mention Josef Schumpeter's *Zur Soziologie der Imperialismen* (Tübingen 1919); very likely he does not know how well his facts and that theory go together. He is interested in his cases. And for these (much more than for his suggestions "towards a policy," which are only an appendix and a rather doubtful one) his book is truly important.

The booklet by Sir Norman Angell contends against other misconceptions of economics. He shows in clear and simple language that neither the problem of raw materials nor the population problem can be solved by the conquest of land, of colonies, and that this is true for the future just as much as it has been proved true of the past. Particularly as to raw materials, so widely discussed nowadays since Sir Samuel Hoare's speech in the House of Commons, the problem "is not scarcity, or the fact that nations tend to keep them to themselves—not difficulty of access, that is; the trouble is to find the means of payments for raw materials desired." And since these means of payments can be had only by exports Sir Norman pleads for stability and reduction of tariffs and for monetary stability. It is in the nature of such a popular pamphlet that, since it puts the whole emphasis on the main point, oversimplifications and minor omissions occur here and there. There is some weight in the phrase that trade follows the flag. There are possibilities of a privileged access to raw materials by differential export duties, although they are very seldom realized. There is, above all, the plain fact of this immensely increased economic nationalism, which by tariff barriers, by preferences and restrictions, by the destruction of the world monetary system, renders so much more difficult this very access to the means of payments, to exports. Even an Englishman, since the Ottawa Conference, can no longer stand on the good old theory of international trade. Nevertheless it is highly gratifying to hear this economic point of view championed at all.

For economic arguments are today being grievously abused by political propagandists. In an earlier age the conventional moral disguise of British imperialism was justly stigmatized by the phrase, "They say Jesus while they mean calico." Today (cf. Sulzbach, Walter, *Nationales Gemeinschaftsgefühl und wirtschaftliches Interesse*, Leipzig 1929) it has become customary to say calico, to say raw materials or population outlets or the like, while what is meant is nationalistic, im-

perialist expansion. There is irony in this change from the moral disguise to the economic disguise—and in the fact that the moral disguise is no longer needed because the economic disguise has proved of such enormous efficiency. But it is good to have books such as these two, which at least try to put economics back into its right place.

ARTHUR FEILER

SCHULTZ, THEODORE W. *Vanishing Farm Markets and Our World Trade*. New York: World Peace Foundation. 1935. 41 pp. 50 cents.

SAYRE, FRANCIS BOWES. *America Must Act*. New York: World Peace Foundation. 1936. 80 pp. 35 cents.

The pamphlet by Theodore W. Schultz, head of agricultural economics at Iowa State College, offers to the public amazingly well presented informative material on the same subject that Secretary Wallace handled in his pamphlet *America Must Choose*. The pamphlet represents a type of publication which, in its concentrated form of argument and its presentation of essential facts, is very desirable and should be used more widely. The few pages are efficiently marshaled in a most convincing plea for a liberal solution of the farm belt dilemma, a solution which consists in the suggestion to reopen the world export markets for the American farmer. Professor Schultz violently attacks the American tariff policy since 1920 and the attempts at farm relief which led to the retreat from foreign markets. He analyzes the repercussions in European agriculture, especially in Germany, and concludes by showing the necessity of vast adjustments in American agriculture unless a more liberal course in foreign trade policy is regained. "It means that hundreds of thousands of farm families in the cotton, corn and wheat belts must shift to new employment."

Convincing as the author's thesis is, and though we agree with it entirely, there unfortunately remains a suspicion that the nationalistic tendencies represented mainly and naturally by those industries which profit from the high tariffs, such as the chemical industry, are politically so well entrenched that agriculture has to face the most unreasonable of the possible solutions for its problems. The mistake of American farmers was not to oppose in time the poisonous medicine of protectionist tariffs. Now they attack in vain the policies of vested interests of those who grew up behind the tariff walls and cannot do without them.

The more, therefore, must one acclaim the pamphlet *America Must Act* by Assistant Secretary of State Francis Bowes Sayre. The author discusses briefly the need for foreign trade and the costs of self-containment, and then proceeds to develop an American program. He gallantly defends the most favored nation clause and the American decision not to fall in line with the bilateral trade treaties, quota systems and the whole range of new devices which only destroy the remnants of international trade. A table of the present situation shows for the end of 1935 four agreements in force with Cuba, Belgium, Haiti and Sweden, three agreements which were signed but not yet in force with Brazil, Colombia and Canada, and agreements under negotiation with eleven other countries. All this sounds promising, but it is a long, long way to tariff reductions; raising tariffs is a much easier task. The greatest obstacle in the way of improved trade relations is the continuing weakness of European currencies, which imposes upon the various governments the duty to act again and again strictly against the aims that they are pursuing in their foreign trade policy.

KARL BRANDT

ALLEN, HENRY ELISHA. *The Turkish Transformation. A Study in Social and Religious Development*. Chicago: The University of Chicago Press. 1935. 251 pp. \$2.50.

I am often reminded of the remark of a friend of mine, one of the leading Turkologists of the present day, who told me on his farewell visit that though he had lived among the Turks for fifteen years and had made the study of this nation his life work he felt he knew less of them now than when he first came. In the light of this experience it becomes easier to give the present volume on the "Turkish Transformation" its proper weight and to mark what are its natural limitations.

Unlike many writers on Turkey, who deal principally with the political and economic aspects of the Kâmalistic Reform, this author has set himself the task of analyzing the underlying spiritual change. In doing so he has not only chosen a very important and mostly neglected subject but has also proved himself a competent scholar with well balanced opinions and as good a knowledge of the facts as can be fairly expected in the circumstances. His special advantage is that as a theologian he is particularly conversant with the all important religious problem, to which it is very difficult to do real justice. In

the first chapters he shows the process of the penetration of western ideas, extending from the conflicts with Oriental tradition and institutionalized religion to the present day when under the leadership of Kâmal Atatürk (Mustafa Kemal Pasha) the emancipation from the Oriental past seems to be almost complete. He then describes Turkey's changed status among the other nations and in the Moslem world, the construction of a state-conscious and unified population and the new spirit in the social institutions of Turkey. The author gives due prominence to the adoption of western law and to the astounding progress in public education and social hygiene, and concludes with a rather comprehensive study of the place of Islam in the New Turkey, supplemented by a chapter on the present prospects of missionary education as they exist under the new conditions of enlightened nationalism.

The author himself would probably be the last to deny that within the compass of his book he could do no more than give a general idea of the problems he raises. Also, it is almost inevitable that sometimes he does not see certain things in the right perspective, under-rating this and overrating that. Finally the use he makes of his material is not always sufficiently critical. But on the whole I think he has succeeded in giving a satisfactory answer to most of the problems and riddles which the western observer of Turkey has to face. In addition, he has given a special value to his book by his rich documentation, although in the extended bibliography one misses some important books like Becker's *Islamstudien* and Wittek's numerous instructive publications.

No one can claim that his own view on Turkey is right, to the exclusion of all others, and with this reservation I venture some comments of a naturally sketchy character supplementing and to some extent contradicting the general picture given in Allen's book. First of all, a warning must be given against the rather common tendency to consider the New Turkey as "just one of those modern dictatorships." Against the features it has in common with other authoritarian states must be set a number of others which are making the New Turkey a case by itself. It has neither the aggressive nationalism and the romantic mythology of fascism nor the radicalism and atheism of Russia, but something quite different which it is very difficult to define. As a first approximation I would say that modern Turkey is being guided by the two main ideals of modernism and nationalism, each in a carefully defined sense. Turkish nationalism means two things: first, the creation of a unified and state-conscious nation by fostering a demo-

cratic "we-consciousness" and a historic and cultural tradition of the Turkish race; second, the defiance of western imperialism and the passionate defense of national integrity. This nationalism is devoid of any trace of aggressiveness; there are few nations today which are as peace-loving as the Turks. Even the skeptical sociologist will believe the sincerity of this attitude when he considers that the New Turkey was born out of military victory, not defeat. It started with the military laurels which are so essential for any authoritarian regime, and therefore it has no need to look nervously around for this requisite of national unification. This description of Turkish nationalism makes it easy to understand the nature and necessity of Turkish modernism. For Turkey — and the same applies to the similar cases of Iran and, formerly, Japan — has no other choice than to adopt western civilization in order to withstand western imperialism. Not only the military technique of the west is needed, but the whole technical, economic and spiritual foundation on which western power is ultimately based. The rest follows with relentless necessity: the occidentalization of the whole culture, even to such details as the Latin alphabet. This also makes it clear why Turkey had to emancipate itself from the lulling influence of old-time Mohammedanism. This process of cultural occidentalization is, of course, full of problems and difficulties; heterogeneous elements clash against each other and very often the limits of adaptation become clearly visible. It should be noted, however, that the Turkish conception of western culture is a rationalistic and positivist one, after the example of Soviet Russia which serves for the whole east as a kind of cultural transformer reducing the complexity of European culture to a set of easily grasped elements of a positivist character.

WILHELM RÖPKE

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HELLER, HERMANN. *Staatslehre*. Leyden: Sijthoff. 1934. 298 pp. Paper, 5.25 fl.; cloth, 6.25 fl.

This work reappraises the purpose and method of the traditional German political science. Unlike most of his more legalistic contemporaries in the field, Heller seeks a rapprochement with the older, more comprehensive German school, as represented for example by Dahlmann, Droysen and Mohl, thus aligning himself with that political science which can look back on an uninterrupted tradition in Anglo-American scholarship. The consequent thorough, sometimes

ponderous discussion of method reflects all the uncertainties of the social-political crisis in Germany with its repercussions in the social sciences. His conclusion is that political science must be a cultural not a natural science, a sociological science and therefore one of social reality, not a "Geisteswissenschaft," and finally a structural and not a historical science. It is concerned with the valid analysis, description and criticism of political phenomena on the basis of certain identical constants which form the pattern of the modern western state. Rejecting Max Weber's "ideal type concept" as merely a means of subjective synthesis, Heller maintains the objective existence of structural elements in the social-political reality, dependent on man but independent of his knowledge. Contradictory elements in this scheme are disciplined by the assumption of a fundamental dialectical relationship.

Only some of the main characteristics can be indicated here. More articulately than most modern political theorists, Heller re-examines the status of political man and finds him molded by society and himself, in turn, shaping social and political institutions. This diagnosis, which is pushed beyond the commonplace by the elaboration of the dialectical pattern, helps to demonstrate the fallacies of the various monistic interpretations of the state, whether they resort to race, nation or class. Thus the general conditioning of human conduct makes for certain "normalities" at the root of the legal and political order. Man can no more be merely Marx's "incarnation of sociality" than the state can be a product simply of natural and social factors. Nor may the state be sublimated into law. State and law are seen in a dialectical relationship, as between different spheres, a "receiving of each polarity into its opposites." The subsequent analysis of this relationship—from which law emerges as both social means and end—explains the peculiar dignity of the law.

Here, as elsewhere, one is struck with the effectiveness of the dialectical scheme. Yet one cannot help wondering whether it is not but an inadequate means of escape from the dilemma of law and state, law and politics, ideality and reality. With it Heller disposes of unsatisfactory alternative solutions, such as Kelsen's pure theory of law and state and the antithetical opportunist realism of the nimble Carl Schmitt. Unable to disregard the claims of might and right, he establishes a balance of opposites, while the law of contradictions hides its face. Probably such evasions will retain their appeal to a political science not primarily concerned with the ends of politics. But evasions they remain. This is, however, a rich and fruitful book, which ought to provoke discussion. Throughout there are fresh and vigorous ap-

praisals of such matters as public opinion, class and state, economics and state, sovereignty, political power. A virile mind is felt at work everywhere. This is a posthumous work, and its editor, G. Niemeyer, deserves our gratitude.

WOLFGANG H. KRAUS

Harvard University

BROCK, WERNER. *An Introduction to Contemporary German Philosophy*. Cambridge: The University Press; New York: Macmillan. 1935. 144 pp. \$2.

This unassuming little book—based on three lectures given by the author at the University of London in 1934—deserves careful reading, not merely because it is the only treatment of its particular theme in English and hence an indispensable reference for those who seek acquaintance through that language with recent German philosophy, but because it has something to offer all serious students of contemporary philosophy and indeed of contemporary intellectual life. Its central theme is furnished by the question: "What, in this age of science, is the task of philosophy, if any task still remains for it beyond the preservation and development of logic and the study of its own history?" Dr. Brock would indicate what the development of German philosophy since Hegel offers in the way of an answer to this "central problem" (p. 1).

The book is in no sense a comprehensive introduction to contemporary German philosophy, for its material is definitely circumscribed by this theme, and still more so by the author's attitude toward the theme, but it is a thoroughly authentic and pertinent account of what it does present. Dr. Brock turns his attention particularly to certain thinkers whose ideas, in a time when philosophy widely avowed dependence upon the special sciences, renewed the conception of philosophy as an independent activity of general significance for the interpretation and conduct of life. It is clear to him that after "the breakdown of Hegel's philosophy, which was due to a rejection of idealistic speculation in general," the progress of the special sciences dominated the intellectual scene, and during most of the nineteenth century philosophy generally professed either to synthesize results of these sciences, or to clarify their logical foundations and methods by epistemological criticism. While he grants that the understanding of many specific points has been advanced in this way, Dr. Brock argues that neither of these endeavors of recent philosophy in its dependence upon the

sciences can basically satisfy either the scientific or the philosophic consciousness. Hence in his first lecture he gives special attention to the ways in which the thought of Husserl, Dilthey and Max Weber, though still within the frame of the epistemological orientation of philosophy, prepared the way for a new liberation of philosophizing from dependence upon the special sciences. In his second lecture he discusses the influence of Nietzsche and of Kierkegaard, who before all others in the time after Hegel showed the Germans philosophy reincarnate as an original and decisive force for personal existence and a total conception of life. In his third and last lecture he selects for special emphasis the view of philosophy today advanced by Jaspers and by Heidegger in the further development of such influences toward the restoration of philosophy to an autonomous role of general significance. The future significance of philosophy, concludes Dr. Brock cautiously, is as uncertain as is that of religion amid such unpredictables as modern science, technique, economic processes, state powers and the non-European peoples. But the trends which he has traced in German thought suggest to him that future philosophy need not be confined to "the minute investigation of specialised problems" but may "once more give strength and significance to human life, as it did in Greece and in earlier modern times, by interpreting existence in a more universal sense" (p. 120).

It should be remarked that many other thinkers, besides those mentioned here, are placed in illuminating relations by Dr. Brock in the course of his narrative, and the book is furnished with twenty pages of well-selected and well-ordered bibliography guiding the reader to most of the important works in recent German philosophy. The discussion of Nietzsche and Kierkegaard is altogether the most effective part of the book, while that of Jaspers and Heidegger is least satisfactory, because the account of their views as to the nature of philosophy is scarcely equivalent to an impression of their philosophizing. One learns that they emphasize *Existenzherhellung* but virtually nothing of their own existential problems and thinking within the horizons of contemporary society and culture. Moreover, the sociological aspect of Dr. Brock's subject might have been further developed if Marx's influence had been discussed in the second chapter along with that of Nietzsche and of Kierkegaard. From Dr. Brock's illustrations as they stand one might infer that existential thinking is bound to be highly individualistic. Is this intended?

For readers who are acquainted with the development of recent American philosophy, or who have the example of the Soviet cultural

policies before their eyes, still another question is likely to arise. Did the polemics of Nietzsche and Kierkegaard, together with other forces, tend to associate independence of science with aloofness from it or disregard of it in recent German philosophy? In this country while James and Dewey and others also strove to deliver philosophy from dependence on scientific intellectualism, and gave it in their own ways a new existential orientation, they sought at the same time to make that orientation more rather than less congruent with scientific habits of thinking. In a world in which, as Dr. Brock himself says, "there remains the undoubted importance of science," it would seem that a philosophic conduct of life includes a working rapport with science. That Dr. Brock would agree with this appears likely but not altogether clear.

HORACE L. FRIESS

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CREAMER, DANIEL B. *Is Industry Decentralizing? A Statistical Analysis of Locational Changes in Manufacturing Employment. 1899-1933.* [With a Preface by Carter Goodrich.] Philadelphia: University of Pennsylvania Press. 1935. 105 pp. \$1.

GOODRICH, CARTER; ALLIN, BUSHROD W.; and HAYES, MARION. *Migration and Planes of Living. 1920-1934.* Philadelphia: University of Pennsylvania Press. 1935. 111 pp. \$1.

THORNTHTHWAITE, C. WARREN. *Internal Migration in the United States.* Philadelphia: University of Pennsylvania Press. 1934. 52 pp. \$1.

These three publications form the beginning of a series devoted to a "Study of Population Redistribution." The study is headed by Professor Carter Goodrich of Columbia University and was organized at the suggestion of the Social Science Research Council and supplied with funds by the Rockefeller Foundation. The inquiry, conducted under the auspices of the Industrial Research Department of the Wharton School of Finance and Commerce of the University of Pennsylvania, was stimulated by the vast migrations that occurred during the depression, by doubts about the soundness of further amassing of people in big industrial centers and by the government's attempts to shift people according to certain programs. These factors established the general aim of discovering bases for the determination of public policy.

The first publication by Thornthwaite gives a remarkably well pre-

sented and illustrated survey of interstate migration of native whites and native Negroes, from 1850 to 1930, including routes of migration and the total migration within the territory of the United States. For some of the main metropolitan areas migration is analyzed by counties, and there is also a discussion of the age selection and year to year changes of population. The limited available sources have been used very intelligently, and most questions about the facts of migration are answered by an atlas of colored plates and by additional statistics.

Goodrich, Allin and Hayes make the bold attempt in their pamphlet to indicate from the available statistical sources relations between migration and local planes of living. This attempt leads into a number of intricate problems which obviously defy an attack by quantitative measurement. It is therefore no surprise that the results are not as satisfactory as those of the first investigation, which had a measurable object. But again excellent use is made of the available material. We receive an atlas of regional "planes of living" which, though very summary, is probably correct.

As to the applied technical method which the authors have used, however, we question whether it is permissible to use the gross income per farm inhabitant as a measure of the plane of living. The Department of Agriculture defines gross income as the estimated quantities produced, sold and consumed in farm households times weighted annual prices, or, which is the same, cash income plus the value of commodities consumed in farm households. The plane of living and the purchasing power of the consumer depend primarily not on the gross income but on the difference between, on the one side, the total costs of operating the farm plus taxes and interest, and, on the other side, the cash income plus what the farm gives for living. Tested results of bookkeeping farms in European countries prove that the degree of intensity (and that is what the gross income mainly reflects) has no causal relation to the net income of the farmer. If, for example, the high gross income is based largely on credit invested in the farm, high interest rates may eliminate the net income entirely. The authors, moreover, do not mention that the high gross income is often based on high land values which influence both cost items, interest and taxes.

The authors use a composite index of the plane of living based on the number of income tax returns, residence telephones and homes possessing radios. Although they give a rather defensive valuation of this index we should like to add a point of criticism. The telephone

is a necessary part of business equipment for farmers who produce commodities which have an extended or all-year-round season for marketing. This is not true where mainly one or two staple commodities are rushed to the market within a few weeks. Since regions with low gross income are mainly regions with a monoculture production of one or two staple commodities, where telephones are not as necessary as in the dairy belt or mixed farming or vegetable regions, the telephone factor may distort the plane of living index in the same direction as does gross income as a measure of farmers' net income. A good deal of similar criticism might be added concerning such points of detail.

But our main criticism is not of single weaknesses in the method applied. We venture to question the soundness of the general approach to the problem, especially as evidenced in Mr. Creamer's investigation, *Is Industry Decentralizing?* He examines the general trends in the location of manufacturing employment from 1899 to 1933, and analyzes the facts statistically. His conclusion is that a moderate "diffusion" but not a decentralization or dispersion of industries has taken place, while the concentration of employment in the principal industrial cities has steadily diminished. Throughout his pamphlet Mr. Creamer continues a polemic against the advocates of decentralization, but his qualified statistical analysis does not prove anything pro or contra.

These publications constitute an able attempt to collect, analyze and prepare factual material on the subject in an illuminating way. But the immense amount of work involved has not thrown light upon those causes and those factors which in reality move people and industries from one location to another. Nor do we know anything more than before about the problem of chance as an influence in the trends. The method of statistical and summary inductive analysis can hardly ever promise valuable results in attacking a subject so profoundly interwoven with general economic policies and other free decisions of man.

Therefore when the statistical round-up on the question of redistribution of population and decentralization of industries has been concluded the next undertaking should be well-placed monographical studies on parts of certain industries, with a precise exploration of the dominant factors making for the location, the employment capacity and the agglomeration of plants. For the question of size only the composite application of the inductive and the deductive method seems to promise results. The method of an inquiry committee, so

successfully used in England, might also be considered. The deep-rooted pragmatism that underlies Professor Goodrich's approach cannot but avoid touching the real potentialities.

Moreover, we should like to see comparative analyses of progressive and prospering counties or territorial units within the area which the maps in the Goodrich, Allin and Hayes publication characterize as having a low plane of living. Such qualitative investigations, which ought to be approached from all angles that promise keys to an understanding, will probably give in a useful form what the Study of Population Redistribution intended to find, namely bases for the determination of public policy. Before we have conclusive proof as to how dependent or independent industries are in their location, before we know fairly well whether variable or unchangeable factors decide the location, we can hardly say anything about the possible or desirable trends of a public policy which must consider the whole complex of aims, social, economic and political.

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